

annual report  
2004-2005



Forestry Tasmania  
GROWING OUR FUTURE



Forestry Tasmania  
GPO Box 207  
Hobart, Tasmania – 7000  
(03) 6233 8203  
[www.forestrytas.com.au](http://www.forestrytas.com.au)  
[forestry.tasmania@forestrytas.com.au](mailto:forestry.tasmania@forestrytas.com.au)  
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# our future

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## The business

Forestry Tasmania is a Government Business Enterprise, responsible for managing the State's 1.5 million hectares of State forest.

## Vision

Forestry Tasmania will be an internationally competitive forest land manager, with operations based on sustainable, multiple-use forest management.

## Mission

Forestry Tasmania's business is the sustainable production and delivery of forest goods and services for optimum community benefit.

## Corporate objectives

Forestry Tasmania aims to:

- improve profit performance and returns to shareholders
- meet the annual targets to develop a world competitive forest resource, sustainably managed and meeting statutory environmental standards
- meet customer requirements and expand the customer base in domestic and international markets
- enjoy the broad support of the Tasmanian community for State forest management.



# customer service charter

**F**orestry Tasmania is committed to improving the quality and profitability of each of its business relationships with its customers.

Continuous improvement in business relationships will be achieved by pursuing excellence in customer service.

Excellence in customer service will be realised through team effort, but is the individual responsibility of all employees.

To achieve excellence in customer service, Forestry Tasmania's employees will:

- treat each customer in a dignified, fair and honest manner
- be discreet, and respect the confidentiality of each customer
- develop an understanding of each customer's individual requirements
- co-operate to identify, confirm and capture opportunities to improve the quantity and quality of Forestry Tasmania's business with each customer
- treat identified problems in each business relationship promptly and with a commitment to resolving them
- pursue outcomes that deliver benefits to each party
- establish and maintain effective two-way communication
- use simple and clear language in their written and verbal communications.





# community forest agreement

**O**n 13 May 2005 the State and Federal Governments signed the landmark Tasmanian Community Forest Agreement.

Building on the 1997 Regional Forest Agreement, the Community Forest Agreement balances conservation with industry growth and regional development. It delivers a range of biodiversity gains that have made Tasmania a global leader in forest conservation. Significantly, the Agreement also provides for forest industry consolidation and growth through the Tasmanian Forest Industry Development Program, the Tasmanian Softwood Industry Development Program, and assistance for country sawmillers and honey producers.

Some of the key outcomes of the Community Forest Agreement for State forests are:

- An expanded reserve system, with an additional 148,000 hectares of public land added to conservation reserves. These additional areas lift the area of forest that was protected under the Regional Forest Agreement from 40% to 45%.
- The new reserves include an additional 120,000 hectares of oldgrowth forest, which means that one million hectares of oldgrowth forest, or one hundred million oldgrowth trees, are now reserved in Tasmania. Substantial areas of the Tarkine and Styx Valley are now protected, including all of the named Styx tall trees such as Icarus Dream and Gandalf's Staff.
- The reduction of clearfelling of oldgrowth on State forests to no more than 20% of oldgrowth forest harvested each year. Clearfelling in oldgrowth will be restricted to areas in steeper country, where other harvesting methods would compromise worker safety. New variable retention harvesting techniques developed by Forestry Tasmania will replace clearfelling in 80% of the oldgrowth forest that is available for harvesting.
- Improved management and recovery of special species timbers, through the introduction of alternative harvesting techniques such as group selection.
- The adoption of Forestry Tasmania's decision to phase out the use of 1080 on State forest. Extensive research into alternatives to 1080 has positioned Forestry Tasmania to meet the phase-out deadline of December 2005.
- Improved access for beekeepers to stands of leatherwood, which will help to secure the long-term viability of the apiary industry.
- Increased opportunities for tourism and recreation in the expanded reserve system.



# forestry & the local economy

In March 2004 the Forest and Forest Products Employment Skills Company Ltd (FAFPESC) National Skills Council, prepared a report on employment in the Tasmanian forestry industry for the Forestry and Forest Products Furnishing and Pulp and Paper Industries Ltd.

The FAFPESC report covered the Tasmanian industry as part of a national review and concluded that the total workforce of the Tasmanian Forest and Wood Products Industry was 10,693. This figure includes all enterprises that base their business around forest growing and management, tree harvesting, timber processing, any timber manufacturing and merchandising and panel, board, paper and packaging production. For more information about FAFPESC, see their Web site at [www.fafpesc.com.au](http://www.fafpesc.com.au).

Tasmania employs 7.8% of the total workforce employed in the Australian forest industry. This compares with Tasmania's proportion of the total Australian population, which currently stands at 2.5%.

On 17 December 2004 the Australian Bureau of Statistics (ABS) released manufacturing industry statistics for the 2002–2003 financial year. In this report (ABS publication 8221.0) the Bureau shows the relative contributions in Tasmania of the nine manufacturing industry classifications. Wood and paper product manufacturing ranked as the second biggest industry with sales revenue of \$1.3 billion; first in terms of industry value-adding and third in terms of wages and salaries paid. For further information see the ABS Web site at [www.abs.gov.au](http://www.abs.gov.au).

The Forests and Forest Industry Council ([www.ffc.com.au](http://www.ffc.com.au)) has collected data that shows annual expenditure by the forest industry in Tasmania's local government areas. In 20 of the 29 municipalities over \$10 million had been spent during 2004-05, indicating a substantial economic benefit to regional Tasmania.





# year at a glance

2004–2005   2003–2004   2002–2003

## Forest Estate ('000 hectares)

Total State forest at 30 June (incl. Forest Reserves)	1,500	1,500	1,501
Total Forest Reserves	175	175	175
Total plantations <sup>1</sup>	98	93	87

## Forest Areas Established ('000 hectares)<sup>2</sup>

Native forest treated for regeneration	12.3	11.3	10.5
Hardwood plantations established (incl. replanting)	5.1	6.1	3.5
Softwood plantations established (incl. replanting)	2.5	2.9	2.6

## Native forest area harvested ('000 hectares)

Clearfell, selective harvesting and thinning	17.5	17.1	16.9
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## Wood Production

Hardwood – Sawlog, Veneer and Peeler (m <sup>3</sup> )	635,803	672,384	607,827
Hardwood – Pulpwood (tonnes)	2,724,303	2,902,786	2,828,265
Hardwood – Plantation pulpwood (tonnes)	118,440	104,426	119,962
Softwood – Sawlog (m <sup>3</sup> )	244,048	254,374	299,643
Softwood – Pulpwood (tonnes)	235,217	250,558	302,975

## Fire management services

Number of fires attended	131	113	124
Area of State forest burnt ('000 hectares)	4.1	24.4	7.5
Cost of suppression (current values \$'000)	1,557	4,967	1,650

## Roads

Constructed (km)	211	180	202
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## Employment

Lost Time Injury Frequency Rate	8.11	14.04	11.27
Operating Revenues per employee (\$'000)	\$323	\$344	\$301
Earnings before interest and tax per employee (\$'000)	\$32	\$44	\$43
Wood Production per employee	6,883	7,513	7,453

## Finance (\$'000)

Operating revenue, grants and reimbursements	\$185,704	\$191,400	\$167,866
Operating expenditure	\$172,206	\$174,900	\$147,957
Earnings before interest and tax (EBIT)	\$18,577	\$24,668	\$24,057
Dividend and tax equivalents paid	\$9,010	\$6,786	\$4,961
Dividends recommended as % of operating profits after tax	50%	60%	53%
Return on Assets	2.16%	2.88%	2.87%

<sup>1</sup> Figures exclude plantation areas harvested but not yet replanted.

<sup>2</sup> Figures are for operations which were completed during the financial year.

# chairman's report

**The cyclical nature** of wood product markets affected Forestry Tasmania in the last quarter of 2004-05. The preceding two years had seen very strong international and domestic markets for all grades of wood products. In the last quarter of 2004-05, the softening in the Australian domestic and commercial construction markets affected sawlog sales and in international markets there was reduced demand for pulpwood products in our long-term Asian markets.

While currency, costs of freight and fuel have made Tasmania less competitive than in recent years, the advent of additional pressure on the environmental aspects of wood supply is of concern. This environmental pressure has come at a time when, following the recent Federal election, substantial initiatives have been taken that put Tasmania at the forefront of forest conservation internationally.

**During the year**, the organisation's work on developing alternatives to clearfelling in oldgrowth forests was linked with governments' considerations on additional oldgrowth forest conservation. The Tasmanian Community Forest Agreement was a major benchmark agreement building on the Regional Forest Agreement and now provides for over one million hectares of oldgrowth forest to be conserved in Tasmania. This has been assisted by a significant investment by the State, Federal Governments and Forestry Tasmania, amounting to some \$250 million over five years to enhance the productivity of the forest, improve timber value recovery and capitalise on tourism opportunities from the substantially enlarged conservation estate.

While production of all grades of wood product reduced (-5.4%) over levels achieved in 2003-04, there was a consistent improvement in the quality of service delivery to customers reflected in all of the market assessment work undertaken by our staff with the range of our wood product customers.

In financial terms, the decline in wood product sales, coupled with the increases in fuel and other external costs have reduced profit for 2004-05 to \$18.5 million. This compares directly to \$24.6 million in 2003-04. While it is disappointing to report a reduced profit result, it has come at a time of significantly increasing domestic costs.

**Forestry Tasmania continues** to fund community service obligations, with an estimated impact of some \$5.6 million to the bottom line without State government funding support – the only government-owned forestry entity so burdened. To this has now been added, following a State government decision to apply a new schedule of payments of rates and other charges to Local Government, a further \$2 million per annum. This represents a straight transfer of earnings, in effect a local government tax, as Forestry Tasmania essentially neither receives nor has need to call on normal local government services in return.

All up, this influence of \$7.6 million on reported profitability must be taken to account in making an overall assessment of Forestry Tasmania's financial performance in relation to other forestry agencies. It has also now been taken to account in full, as to its effect on valuation of the base forestry asset, through its ongoing dilution of Forestry Tasmania's future income cash stream.

**Of particular note** during 2004-05 was the significant and continuing improvement of safety across the whole organisation. For the first time, Forestry Tasmania's Lost Time Injury Frequency Rate fell below 10. This reflects best practice in the forest sector nationally. It is pleasing that our contractors in harvest and transport and silvicultural operations also recorded their lowest ever safety incident results.

**2004-05 marked ten years** since the former Forestry Commission was corporatised. Over that time, there have been a number of significant changes, most importantly developing within the organisation a business culture that reflects the need for customer service, continuing improvements to productivity, as well as advances in sustainable management of forests.

Over the decade, Forestry Tasmania has sold in excess of one billion dollars of forest products and paid \$130 million in taxes and dividends to Government. Eight hundred and eighty-six million

dollars has been paid out to employees and contractors. Over 130 million new young trees have been established on the 66,000 hectares of native forest that has been regenerated for future use. Access to the forest has been improved with some 2,000 kilometres of new roads established throughout the 1.5 million-hectare State forest area. Some \$3 million has been paid to community groups in regional areas to assist them with particular cultural or sporting activity.

Four million people have visited State forests and new commercial tourism ventures have been established at Tahune, the Forest EcoCentre at Scottsdale and the Dismal Swamp Maze and Visitor Centre.

Throughout this 10-year period, some 917 wildfires have been successfully fought and extinguished. This decade-long record in delivering financial, community and forest sustainability is an impressive start in the first ten-year journey of the organisation as a corporate entity. The business values and responsiveness of the organisation have been developed to reflect the needs of the shareholders and the needs of customers. While more remains to be done, we are pleased with the progress and look forward to now building, particularly the value-added timber processing opportunities, given that a new platform of certainty within the Tasmanian Community Forest Agreement has been bedded down.

**Throughout 2004-05**, the Board retained its focus on improving accountability and reporting. This year's Annual Report comprehensively outlines the achievements in each of the five main production units across the full range of their business activities.

For some time, we have been concerned at Board level to improve understanding of the forest valuation process. Further adjustments have been made this year to reflect changes to accounting standards, both nationally and internationally. We have closely reviewed discount rates for native forest and adjusted these to reflect the current risk levels attached to these operations. The reduction in the overall forest value, driven by these accounting changes is moving to more fairly reflect what the commercial value of the forests' assets would be. In the case of Forestry Tasmania, there are a number of constraints on our management of State forests, which do not occur in equivalent private sector forest estates. To make any comparison in financial terms, particularly for return on investment, it is important that these caveats on the management of the State forests become more transparent.

**The outlook for 2005-06** is for a continuation of tough commercial trading conditions. There is no expectation of improved markets internationally and with the historically high Australian dollar and prevailing freight and fuel costs, the outlook will be tough across all product segments.

Our performance will depend on continuing to improve margins and enhance our innovation, particularly with our contractor workforce.

**I am pleased**, on behalf of the Board, to thank our Executive and the management team, including all of our employees and contractors, for their commitment to delivering sustainable, multiple-use forestry in Tasmania.

The organisation works hard to achieve best practice across all areas of the business. Significant improvements have been made in both business systems, environmental management services and a capacity to respond to the ever-changing international market place for wood products.



Lawrence A. Wilson  
Chairman



# managing director's report

**F**orestry Tasmania faced a particularly challenging year in light of the Federal election which involved a major focus on Tasmanian forests over a five to six month period leading up to, and subsequent to, the Federal election result. The particular focus of the Federal election, from a forestry perspective, was the issue of managing oldgrowth native forests. For almost a decade now, Forestry Tasmania has been researching options and opportunities for governments to make improvements to sustainable management of forests.

In the case of oldgrowth forests, we initiated the Long-Term Ecological Research site at Warra in southern Tasmania. This internationally recognised site has been the focus for looking at the alternatives to clearfelling in oldgrowth forests and to better understand and adapt our management to the results of that work. Research on reduced chemical use, including reduced use of 1080, has been a major commitment for many years.

Focus in the Federal election on oldgrowth forests meant the opportunity for political parties to be informed on the outcomes of this long-term research work. This information became a basis for development of new policy for consideration by both State and Federal governments.

Forestry Tasmania, following extensive public consultation and provision of expert advice, provided information to the State government on options for the management of selected oldgrowth forests for high value timber production. The State government had requested we provide that advice against a background of maintaining safety for workers, maintaining jobs, ensuring sustainability of forest management, continuing to supply hardwood logs to sawmills and veneer plants and delivering improvements in regeneration and biodiversity management.

These are significant factors that required careful evaluation. The final Tasmanian Community Forest Agreement has taken into account Forestry Tasmania's technical advice and, as noted elsewhere, this has led to over one million hectares of oldgrowth forest being protected for conservation purposes. In addition there is a massive reduction in clearfelling planned over the next five years, reducing clearfell area to some 20 per cent of harvesting in these forest types.

Along with significant improvements to special species recovery and management, there will be major investment in hardwood plantations to offset the impacts of the change to conservation strategies.

If these offset investments were not made the Tasmanian veneer and sawmilling industry would have otherwise been reduced in size with detriment to local wealth creation and, particularly, local employment in regional areas.

Forestry Tasmania will continue with its research and development work to monitor the impact of the new changes and ensure that, as more information becomes available, we can adapt forest management practice to improve the safety, commercial aspects and sustainability of our timber supply.

**In the area of value-adding**, we have been frustrated throughout 2004-05 by the delays in achieving investments through our subsidiary, Newwood Holdings, at both the Smithton and Huon Wood Centre sites. However, pleasing progress was made with the merchandiser operations at Smithton and the new regrowth sawmill on the Huon site. Uncertainty surrounding the Federal election deferred a number of companies' feasibility studies, which are now back on track. However, the currency, freight and general market position has also affected feasibility work for new value-added investment. We are continuing to work with a number of companies to develop commercially feasible solutions to increase value-adding at the new Wood Centre sites.

Governments cannot legislate for value-adding. Boards of management of private firms will make commercial decisions. Forestry Tasmania's collaboration with private investors is designed to explore all avenues to improve the likelihood of commercially feasible value-added investments.



**The employees of** Forestry Tasmania deliver the business results. While it was disappointing that profit was reduced, it came as a direct result of changes in market conditions and new, external costs. Of particular note has been the energy and effort applied to improving safety both with our own employees and that of contractors in harvest, transport and silvicultural operations. The results speak for themselves – an outstanding set of numbers, the best in a generation and a great credit to the attention of all of our employees, working closely with our contractors. We are committed to continuing this level of focus in the years ahead.

**The year has seen significant attacks** on the professionalism of Forestry Tasmania, including from the ABC's Four Corners program in its report titled "Lords of the Forest". We were pleased to see that our appeal against the inaccuracy and misrepresentation in this ABC program was upheld by the independent ABC appointed panel assessing the program's factual performance.

In other areas, our professionalism has also been questioned in the popular media. However, in areas such as operational forest practice and general forest sustainability, Forestry Tasmania has reported improvements and has maintained its independently assessed environmental certification standards.

While these public challenges will always be there for forest land managers, it is a credit to our employees and particularly our field staff that delivery to high standards continues to be achieved in all operating areas in our business.

During the year, progress was made with our employees in the development of a new Enterprise Agreement. The Enterprise Agreement encapsulates the new approaches to workplace management that are central to our commercial business focus. At financial year close, agreement had been reached with our unions for EBA6, which has subsequently been supported by the voting of our staff. Small bonus payments to reflect the improved results in safety were made to all employees as a result.

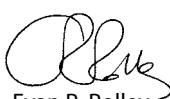
**Progress with our tourism** ventures continued with the successful opening of the Dismal Swamp Maze and Visitor Centre. While some difficulties were reported in relation to the slide element later in the tourist season, action to address this has been taken and we are confident of improving the quality and the value of this investment in forestry tourism experience for north-west Tasmania.

By 30 June planning was well advanced with the proposed Maydena Forestry Hauler project and it was pleasing during the year to receive planning approval from the Derwent Valley Council for this innovative forestry tourism concept.

**In 2004-05 we created an Australian forestry first** with the establishment of a new Executive General Manager position in Forestry Tourism. We welcome Jane Foley to this position and look forward to her contributions to our business.

We will continue to work strategically with local communities to develop these tourism and recreational partnerships, particularly with local government.

**The overall performance** of Forestry Tasmania reflects positively on the expertise, enthusiasm and commitment of our staff and our 1,400 contractors. I thank them and the members of the Executive team for their contribution to our overall business results set out in this Annual Report.



Evan R. Rolley  
Managing Director



# corporate objectives

## OBJECTIVE

Improve profitability

## STRATEGIC TARGETS

- Growth in sustainable sales quantity/quality grades

- Improved price structure

World competitive resource

- Expand hardwood resource – 4,500 hectares per year of new hardwood plantations
- Increase intensive forest management – 750 hectares per year
- No non-conformances under environmental management system (ISO 14001) or the Australian Forestry Standard (AS 4708) as a result of external third party audits.

Service customer needs

- New international markets
- Facilitate investment in growing, harvesting and downstream processing

Develop broad support

- Promote regional development role
- Support strategic community projects

RESULTS 2004–2005	COMMENTS
<ul style="list-style-type: none"> <li>• Maintained minimum contract sales for all products.</li> <li>• Improved veneer recovery</li> </ul>	<ul style="list-style-type: none"> <li>• Strong domestic demand continued. However, as a result of the dual impacts of a stronger Australian dollar and a negative influence on Japanese markets by environmental lobbyists, a significant decline occurred in the last quarter for export pulpwood.</li> </ul>
<ul style="list-style-type: none"> <li>• Road tolls increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Annually adjusted.</li> </ul>
<ul style="list-style-type: none"> <li>• Review of existing major pulpwood contracts commenced.</li> </ul>	<ul style="list-style-type: none"> <li>• Major pulpwood contracts under re-negotiation.</li> </ul>
<ul style="list-style-type: none"> <li>• Road tolls increased</li> </ul>	<ul style="list-style-type: none"> <li>• Annually adjusted.</li> </ul>
<ul style="list-style-type: none"> <li>• Continued improvement to sawlog prices and new road toll implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Annually adjusted.</li> </ul>
<ul style="list-style-type: none"> <li>• 5,100 hectares established</li> <li>• 377 hectares thinned</li> </ul>	<ul style="list-style-type: none"> <li>• Includes plantation area established with Gunns Lease Project.</li> <li>• 20 000 ha RFA commitment completed with a small carry-over to Spring 2005</li> <li>• No pre-commercial thinning; looking to convert 2003-2004 operational trials into expanded, permanent operations during 2005-2006.</li> </ul>
<ul style="list-style-type: none"> <li>• Certification of the Environmental Management System (ISO 14001) and Australian Forestry Standard (AS 4708) has been maintained with no non-conformances identified at audits. Performance targets were consistently achieved, and reported publicly in the annual Sustainable Forest Management Report.</li> </ul>	
<ul style="list-style-type: none"> <li>• Maintained market acceptance of eucalypt veneer by sale of peeler logs to Korean and Chinese markets.</li> <li>• Investigated the Malaysian, USA and NZ hardwood veneer markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong market established in China for flooring in shipping containers.</li> </ul>
<ul style="list-style-type: none"> <li>• Security of long-term sawlog contracts has resulted in sawmill upgrades (green mill, drying facilities and manufacturing plants).</li> <li>• FT commenced Merchandising Yard operations at the Circular Head Wood Centre to assist value-adding.</li> <li>• Neville Smith regrowth sawmill at Huon Wood Centre commissioned.</li> </ul>	<ul style="list-style-type: none"> <li>• Feasibility studies undertaken for the construction of rotary peel veneer mills in Tasmania.</li> <li>• Operations commenced with improved performance throughout the year.</li> </ul>
<ul style="list-style-type: none"> <li>• The Dismal Swamp Maze and Visitor Centre near Smithton opened.</li> <li>• 42 community sponsorships were granted and Community Liaison Officers continued to provide strong regional support in all five districts. These officers provided information about Forestry Tasmania's activities to local community groups and schools.</li> </ul>	<ul style="list-style-type: none"> <li>• Since opening in late September, the Centre has attracted around 36,000 visitors.</li> <li>• Supporting local projects and strengthening ties with local communities.</li> </ul>

# forestry growth plan

In November 1998, the State Government launched the Forestry Growth Plan, the strategic objectives of which include integrating the management and processing of forest resources and investigating opportunities for industry development.

The major developments set out by this ten-year blueprint involve expanding softwood and hardwood forest resources to an international scale, and intensive forest management (IFM). Annual targets are set for establishing and thinning eucalypt plantations, expanding radiata pine plantations and thinning native forests.

The Forestry Growth Plan also demands new and improved forestry and wood processing infrastructure, including roads, sawmills, plywood and laminated veneer plants.

## Other targets

Previously negotiated joint venture agreements for establishing and managing plantations continue to provide impetus for developing Forestry Tasmania's plantation estate, both in eucalypt and radiata pine.

The Community Forestry Agreement signed by the Premier and Prime Minister on 13 May 2005 has established new targets. Implementation plans for Forestry Tasmania responsibilities were under development or were being implemented at year's end.

## Downstream processing developments

The Forestry Growth Plan aims for new and improved forest and wood processing infrastructure, including roads, sawmills, wood-fired power stations and veneer plants at investment-ready Wood Centres. This Plan is underpinned by the Regional Forest Agreement and now the Tasmanian Community Forest Agreement and involves expanding the softwood and hardwood forest resources and changed forest management.





## Wood Centres – Huon and Circular Head

Neville Smith Timber Industries (NSTI) has established and is operating a new sawmill at the Huon Wood Centre . The facility (below) uses modern technology suitable for regrowth logs. It includes high strain band saws, scanning and optimising processes and mill waste collection using an

overhead bin and sealed storage for woodchips and sawdust. Stage 2 for Neville Smith Tasmania Southwood project involves plans for further value-adding at the Huon Wood Centre by kiln drying and machining into final products. Initial studies were also completed by Forestry Tasmania into operation



of a Merchandiser and Merchandiser Yard at the Huon Wood Centre to assist segregation and downstream processing.

Like the Huon Wood Centre, the Circular Head Wood Centre is an investment-ready site for integrated timber processing. In the past 12 months timber segregation activities were successfully undertaken at the Smithton site following the transfer of the Merchandising Yard by Forestry Tasmania to Smithton from a temporary yard at Wiltshire. The yard segregates wood for local sawmills (including special species), as well as recovering peeler material from logs that would otherwise be exported as woodchips.

The Forestry Growth Plan also aims to develop new downstream processing industries for Tasmania and selling of products to overseas markets. This was progressed during the year as a result of continued development of overseas markets that use lower value regrowth and plantation timber to make veneer, and by fostering market acceptance of Tasmanian eucalypt in China, Korea, NZ, USA and Japan. Supplies of peeler logs were made by Forestry Tasmania to overseas customers capable of expanding market acceptance of eucalypt as veneer and to customers capable of construction of rotary peel veneer mills in Tasmania.

A major emphasis in the last 12 months has been to secure construction of veneer mills in Tasmania to service these new markets. A number of feasibility studies and assessments were undertaken or completed by interested companies during the year. These examined construction of rotary peel veneer mills at the Huon and Circular Head Wood Centre sites. A number of proponents have been identified who are capable of investing in rotary peel veneer mills and commercial assessments are currently underway. Significant progress was also made as a result of Forestry Tasmania - proponent negotiations to build a biomass power station at the Huon Wood Centre.

# triple bottom line

**F**orestry Tasmania is committed to delivering sustainable forest management by ensuring that it is financially secure, protects the environment and conforms with society's expectations. It takes into consideration the social, environmental and economic implications of the organisation's decisions and actions and ensures that key business strategies deliver economic prosperity, environmental sustainability and social accountability for the Tasmanian community.

## Social

### Employees

- Forestry Tasmania entered the National Training Awards and the Federal Minister for Education and Training awards for our focus on quality training outcomes for its employees and trainees.
- As a Registered Training Organisation two full diplomas were awarded during the year.
- The Employee Benefits program continues to provide benefits through its health and well-being seminar series.
- As at 30 June, 2022 employees and contractors were employed by Forestry Tasmania.



### Tourism and Recreation

- Forestry Tasmania's newest tourist attraction, Dismal Swamp (left), opened in late September 2004. Since its opening, the attraction has received around 36,000 visitors and has become a key component of the Northern Touring Route. It also gained early industry recognition by winning the Tidy Towns Award for Best New Ecotourism Venture and the Colorbond Steel Award in the Tasmanian Architectural Awards.
- The Derwent Valley Maydena Hauler project has progressed to the advanced planning stage with development application approval granted by the Derwent Valley Council. Based on early timber gathering techniques using cable haulers the site will incorporate a six kilometre journey via a four wheel drive coach and tramway system.
- The Tahune AirWalk continued at the forefront of the Huon Trail touring route, while the Forest EcoCentre won the Tasmanian Tourism Award for Destination Marketing.
- The Tahune AirWalk and Forest EcoCentre maintained their Advanced Ecotourism Accreditation, and the Melville Street Dome its Ecotourism Accreditation, with peak

body Ecotourism Australia. The Tahune AirWalk also remains certified under GreenGlobe 21.

### Community and Education

- Sponsorship was provided to 42 organisations by way of financial support for regional events such as sporting activities, art, theatre and cultural activities.
- Community Liaison Officers continued to provide strong regional support in all five districts. These officers provide information about Forestry Tasmania's activities to local community groups and schools. Detailed reports are provided commencing on page 36.

## Environmental

### Compliance

- The first post-certification audit against the Australian Forestry Standard was completed with no non-conformances.
- The three-yearly re-certification audit of the environmental management system (EMS) against ISO14001 was completed with no non-conformances.

Overall we achieved a performance rating of 'above sound' across all elements of the Forest Practices Authority audits in 2003-04. Two fines were received from the Forest Practices Authority:

- Forestry Tasmania was fined \$3000 for constructing a road within a streamside reserve in Huon District.
- Forestry Tasmania was fined \$5,000 when harvesting occurred within a streamside reserve in Murchison District, due to a failure to mark the reserve boundary. Subsequently, the Forest Practices Authority agreed on a process for regular checks of distances from streams and the use of machinery to locate boundaries along streamside reserves.

### Research

- The year was a watershed in the continuing development of ways to manage mammal browsing damage without using 1080. The State Government announced 1080 will not be used on State forest after December 2005, and this was coupled with a commitment of \$2M of State Government funding and a further \$2M of Forestry Tasmania funds in order to accelerate research and implement operational browsing management. Research is focussing on a better understanding of the nature of mammal browsing and how to improve the various tactics available in order to fit them together into an integrated strategy and to manage the problem.
- Continuing research by the Native Forests Branch this year included the evaluation of initial eucalypt regeneration at two aggregated retention coupes at the Warra Silvicultural Systems Trial near Geeveston, which is exploring alternatives to clearfelling in wet eucalypt forests.
- The Native Forests Branch also provided silvicultural support and monitoring for five operational aggregated retention coupes established across the State. This work has increased in significance following the Tasmanian Community Forest Agreement which requires a reduction in oldgrowth clearfelling and increased adoption of aggregated retention.



## Economic

- operational profit before tax from ordinary activities of \$18.58 million
- return on assets of 2.16%
- borrowings of \$7.0 million for capital investment in roads and new forests
- payments to suppliers, contractors and employees of \$184.18 million
- payments to the shareholder of \$9.01 million, an increase of 33% from 2003-2004

Tasmania, the smallest Australian state, is second only to New South Wales when it comes to contributing to the Gross Value of Forestry Production (GVFP). The GVFP is averaged over a three year period.

An independent benchmarking report initiated in 2004-05 indicated that Forestry Tasmania manages a unique forest asset with a rate of return comparable to other managers of long rotation native forests in Australia and internationally.



Dismal Swamp Visitor Centre



# human resources

## The people in our business

The Human Resources Branch again played a major role in supporting the organisation as it faced the challenges presented during the year. With the fifth Enterprise Bargaining Agreement (EBA) in its final year work started on preparing our employees and the company for EBA-6.

New management reporting tools were designed, and implemented. These greatly assist managers in administering operations and resources in a timely manner.

The organisation has again increased its scope as a Registered Training Organisation in the areas of water sampling, risk management and selective logging. Forestry Tasmania has also been heavily involved in a review of the forest growing training package at a national level. For the first time, diploma level qualifications have been achieved and presented.

In June 2005 Forestry Tasmania accredited Taslog as the first contractors in the State to be assessed under the new nationally accredited program, Partial Harvesting of Dry Eucalypt Forests. Forestry Tasmania developed and owns the program as part of its commitment to continuous improvement in harvesting standards.

The accreditation recognises the specialised harvesting skills required under the program. To achieve accreditation, the harvesting crew demonstrated to a workplace assessor its knowledge of the different partial harvesting techniques that can be used in high altitude, dry *Eucalyptus delegatensis* forests.

## Workers compensation

Forestry Tasmania commenced the financial year with a successful application to the WorkCover Tasmania Board for renewal of our Permit to Self-Insure. A full three-year permit was issued in September 2004, based on audits of our Injury and Health & Safety Management Systems.

Results in the Workers Compensation area for 2004/05 were excellent, with all performance measures being met. Forestry Tasmania received the lowest number of new claims (41) and Lost Time claims (9) on record. While there was a slight increase in the average expenditure per new claim, this was consistent with increasing rehabilitation and medical expenses.

The number of new claims received was 41; the percentage of gross wages was 16%; and the Lost Time Injury Frequency Rate was 8.11.

Employment	at June 2005
Forestry Tasmania employees	598
Contractors and their employees	1 424
<b>TOTAL</b>	<b>2 022</b>

After much discussion, design and tireless work in all weather conditions, Dismal Swamp opened this year and soon grew to be a real crowd pleaser. David Johnson works as the Outdoor Coordinator at Dismal Swamp, helping to manage all outdoor aspects of the site, including attractions, staff and general maintenance of the facility. David also manages the rehabilitation program and carries out environmental management and improvement activities like planting.

The first twelve months of a new tourist attraction created many challenges to overcome – challenges that could not have been overcome without a fine polished team. David attributes the excellence of the team at Dismal Swamp to working together tirelessly in the rain, hail and red mud to get the site up and running.

"I am proud of what we have accomplished. Dismal staff and staff from the district pitched in and got on with what had to be done and there was not one day that went by that we didn't have a laugh. Getting stuck in the mud should never have been that funny, but it was."

David is proud to be part of the tourism arm of Forestry Tasmania and considers this to be the best job he has ever had.



# occupational health & safety

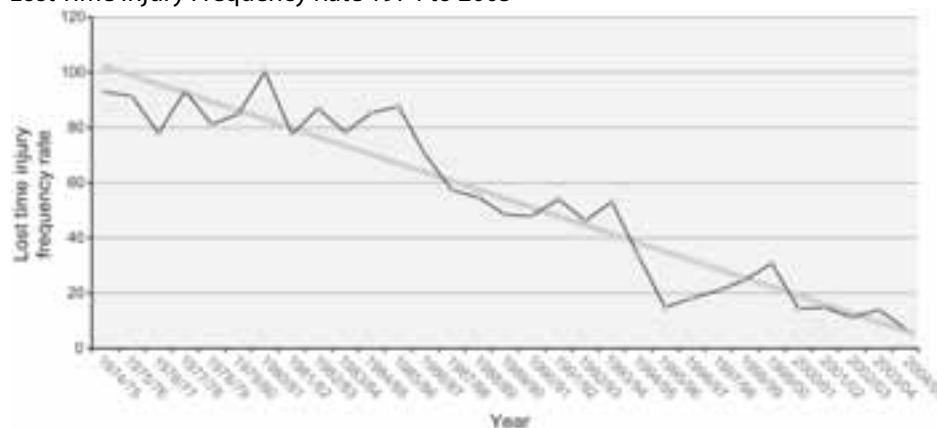
## Serious about safety

Occupational Health and Safety performance for the 2004-05 financial year has been outstanding. In fact, the performance measures indicate the best result in Forestry Tasmania's history. Issues of note include the following:

- a Lost Time Injury Frequency Rate (LTIFR) of 8.11; well within the target of less than 11;
- the Forestry Tasmania Safety Management System being incorporated within the Environmental Management System and obtaining third party Certification in August 2004;
- health promotions and fatigue management seminars presented throughout the organisation; and
- a certificate of commendation from the nationwide Blake Dawson Waldren Publications OHS awards competition. This was once again for Forestry Tasmania's "Healthy Living" program.

Future safety strategies will include the consideration of "Crash free" driver and safety awareness training. Additionally, an increased focus is to be placed on the Lost Time Injury Severity Rate (LTISR) as a performance measure. This is an indicator of the amount of days off per lost time injury. Forestry Tasmania will be able to concentrate its efforts on issues that potentially cause more severe injuries.

Lost Time Injury Frequency Rate 1974 to 2005



# operational forestry

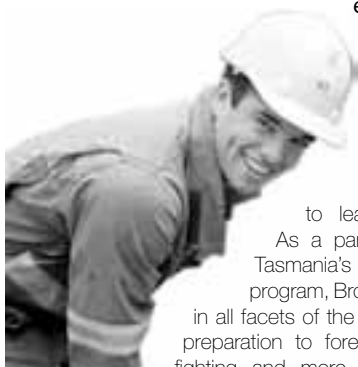
**F**orestry Tasmania's developments in infrastructure provided significant regional investment, as well as opportunities for enhancing its world-competitive hardwood and softwood resources, local processing and the potential for value-adding to these resources.

## Plantations

The Intensive Forest Management (IFM) program develops and expands our forest resources.

Special thinning, pruning, fertilising and harvesting techniques are employed to maximise the scale, quality and economic value of plantation resources and Forestry Tasmania's international competitiveness.

During the year approximately 5,100 hectares of eucalypt plantations were established on State forest. The IFM component of this completed Forestry Tasmania's RFA commitment for the establishment of 20,000 hectares of eucalypt plantations. Approximately 190 hectares of plantings were carried over to spring 2005.



The past twelve months have provided Brodie Frost with a wealth of opportunities to learn about forestry.

As a participant in Forestry Tasmania's Trainee Forester program, Brodie has participated in all facets of the industry – from site preparation to forest inventory to fire fighting and more. Based in Hobart, Brodie spends 3-4 days per week in the field and travels to each of the districts as part of his job, to conduct activities like auditing and inventory of plantation and native forest. He counts himself fortunate to have seen the various facets of his chosen industry.

"The forest industry is an exciting place to work and it's great to be involved with Forestry Tasmania. Over the past three years, professionals have shared their expertise in forest management with me, ensuring that their skills are passed on to the next generation."

Eucalypt pruning programs continued to increase with approximately 6,400 hectares (combined 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> lifts) pruned.

## Joint ventures

Forestry Tasmania continued to strengthen its working relationships with current joint venture partners, GMO Renewable Resources Ltd., Norske Skog (both softwood joint ventures), Gunns Ltd, and Plantation Platform of Tasmania (both eucalypt joint ventures). Forestry Tasmania continued to provide forest management services to Ausron Limited (formerly Yates Forestry). Land and forest management services were also provided to Gunns Plantation limited.



## Native forests

The Native Forest Quality Standards process showed a continuing improvement in operational



results, particularly in the proportion of on-site seed achieved on native forest regenerated coupes.

The IFM native forest thinning program achieved only 377 hectares of a 750 hectare target. This was due to no pre-commercial thinning being carried out and problems with gearing up contractors for commercial thinning operations. A number of commercial thinning trials were carried out towards the end of 2004/05. Turning these trials into operational reality will be the focus for 2005/06.

## Roads and bridges

The engineering and construction of roads, bridges and quarries continues to be a significant part of Forestry Tasmania's works program for the year.



The Districts constructed approximately 187km of class 3 and 4 road for native forest access and 15km of road for softwood access in State forest. A further nine km of class 1 major arterial road was completed, the most significant being the continuation of the Hopetoun Link Road in the Huon District with an objective to reduce log cartage traffic on the Huon Highway. Ten major bridge projects were completed during 2004-05, the most significant being the crossing of the Plenty River (left) to improve direct access between the Huon and Derwent Districts.

Forestry Tasmania spent some \$20.6 million in constructing, upgrading and maintaining road infrastructure during the year.



## Fire management

The 2004/05 fire season was one of the easier seasons in recent times, despite having more than the long-term average number of wildfires. The easy season meant that the majority of fires were kept small and controlled during the initial attack stages of suppression efforts. Approximately \$1.5 million was spent during the season compared to nearly \$5 million spent in 2003/04 when four times the total area was burnt despite the number of fires being below the long-term seasonal average.

Forestry Tasmania crews attended 131 vegetation fires, which is 14 less than the average number of fires since records were kept in 1941. The fires burnt 11,666 hectares, which was 40% of the annual average for area burnt. The fires burnt a total of 4,069 hectares of land managed by Forestry Tasmania, which was 42% of the ten year rolling average. Sixteen lightning caused fires burnt 1,753 hectares. Unauthorised deliberately lit "arson" fires accounted for 58 (44%) of all fires and burnt 8,043 hectares (69% of the total area burnt). Forestry Tasmania took action to suppress 11 escapes from private agricultural burns and assisted the Parks and Wildlife Service and Tasmania Fire Service on several more fires.

Forestry Tasmania employees spent a total of 12,463 hours firefighting, which is one week of work per employee involved in firefighting operations.

Forestry Tasmania set a target of 226 high intensity planned burns for regeneration and plantation establishment on 10,443 hectares.

Two hundred high intensity burns over 9,352 hectares were achieved. In strong winds three burns escaped and burnt a total of 162 hectares, with 79 hectares severely scorched. Forestry Tasmania also completed 108, of a planned 162, low intensity coupe burns covering a total of 5 894 hectares. None of these burns escaped.

The coupe burning season started late and suitable conditions extended the season into July, 2005. A total of 5,423 hectares was burnt as part of the planned fuel reduction burning program without any escapes.

As any firefighter can attest, forest fires can be controlled one minute, and uncontrolled the next. The job of fighting a forest fire is difficult enough on its own – without the coordination of people, assets and planning the job would be nearly impossible. That is where Rochelle Richards – Fire Management Officer (Operations) – comes into the picture.



Rochelle's job revolves around fire; during the burning season she coordinates smoke management and prioritises the fires that pop up around the state. During the pre-fire season, Rochelle prepares systems for the fire season; during the fire season she manages the availability of aircraft used for firefighting and is available to get involved on incident management teams to ensure the latest GIS data, research and information necessary to effectively control and successfully fight forest fires is on hand.

"I became interested in the role that fire played in the landscape and as a local fire fighter and bushwalker I enjoyed observing ecological responses to fires in the local area. I've had some fantastic experiences that led to my appointment with Forestry Tasmania, including working for the Parks Fire Crew and the ACT Emergency Services Bureau."

Rochelle's experience in fire management proved useful in establishing a standard fire management system this year, ensuring Forestry Tasmania will be well prepared for future fire seasons.



## The world is our market

The year commenced with a strong market for all products in both the domestic and export markets.



Sawlog demand remained high even as the housing market softened as customers replaced sawn timber stocks and private log availability remained lower. Local pulpwood demand remained high at both domestic paper mills. Export pulpwood demand dropped significantly in the last quarter as impacts of price, Australian dollar exchange rates and misinformation in the Japanese market was reflected by reduced demand for Tasmanian woodchips. Export peelers

shipments remained steady with the majority of sales to China. Shipping arrangements for peelers were by bulk and container shipments.

Sale of higher value products commenced from thinning of eucalypt plantations, through the sale of small diameter sawlogs and posts and poles for treated timber market.

## Supply chain information management

Forestry Tasmania's new Sales system was a major project for the software development team. Testing was underway during June. The system is expected to begin receiving data early in the 2005/06 financial year and to begin producing invoice and payment information soon afterwards. A feature of the new system is a more user-friendly approach to the administration of sales arrangements, thereby reducing the reliance on a small group of "expert" users.

Forestry Tasmania also undertook the modification of its existing software to capture sawlog dockets electronically, using handheld computers at forest landings. The modifications extend the system's use to all State forest and private property. The task was funded by the Forests and Forest Industry Council, because of its industry-wide application. A related part of the same project saw Forestry Tasmania coordinating the deployment of the first few dozen handheld computer "kits" to harvesting contractors. The deployment, to all hardwood contractors in the State, will be completed during 2005/06. The system enables growers, contractors and customers to access their data for log deliveries, using the Internet.

## Forest assets and operations information management

Forestry Tasmania continued to develop its system for the recording and management of information about forest assets and the operations conducted upon them. Many of Forestry Tasmania's formal reporting requirements are now met from the information recorded in this system. A suite of new tools has given local managers better access to key information, by integrating information about the conduct of each operation with the relevant financial records.

# forest management

**S**ustainable forest management is Forestry Tasmania's guiding vision and this depends on accurate resource information, management and analysis systems, planning processes, monitoring and feedback procedures.

## Our resources

The Community Forest Agreement between the Tasmanian and Commonwealth Governments was signed on 13 May 2005. Under the Agreement an additional 148,000 hectares of State forest will be reserved including 120,000 of oldgrowth forest. This new reservation occurred in a number of locations across the State and included significant new reserves in the Styx Valley and the Tarkine. The boundaries of these reserves are to be refined and finalised within the intent of the Agreement by June 2006.

Final advice was provided to the Tasmanian Government on alternatives to clearfelling silviculture in oldgrowth forest. This work involved running numerous resource modelling scenarios to ensure the maintenance of sustainable yields of timber products.

Measurement continued as part of the strategic inventory program to sample native forest. New assessment methods were designed for thinned native forest and plantation growth monitoring. Further assessments were undertaken to identify giant trees in tall native forests and to measure the eucalypt plantation resource. Photo-interpreted re-mapping of the Southern Forests was continued and special photo-assessments were undertaken of wildfire damage and plantation performance.

## Improving environmental management

### Environmental Management Systems (EMS)

Forestry Tasmania maintained its certification to ISO 14001 at its three-yearly external re-certification audit. The audit noted some components of the system due for review or upgrade and this process has commenced.

During the year the Australian Forestry Standard gained mutual recognition from the world's leading certification body, the Programme for the Endorsement of Forest Certification Schemes (PEFC). The PEFC has 28 member countries. Timber from State forest in Tasmania can now be labelled with PEFC logo for international markets. This labelling provides market recognition for wood products that promote sustainable forest management.

District Forest Management Plan Reports were completed for all districts for 2003-2004 and the reports published on the Forestry Tasmania Web site. Public comment on these reports is encouraged.

Progress on the implementation of sustainable forest management is assessed annually against social, economic and environmental indicators. The Sustainable Forest Management Report for 2003/2004 reports this assessment and is available from Forestry Tasmania's Web site or from District offices.

A new standard operating procedure to ensure best environmental practice for activities, other than Forest Practices Plan activities (roading, harvesting and reforestation), was introduced during the year.



## Managing biodiversity in our forests

Forestry Tasmania representatives continued to provide input to and support of natural resource management (NRM) processes in the State's three NRM regions during the year.

### Biodiversity management:

In addition to the network of wildlife habitat strips (totally protected from harvesting) a network of biodiversity spines were established across the State forest landscape. While these spines can be harvested, generally over longer rotations, they cannot be converted to plantations and must be regenerated to native forest. This initiative will ensure the maintenance of the biodiversity found in native forest, especially in areas where there is a current focus on new plantations.

Research was funded with the Forest Practices Board on the utilisation of tree hollows (see example right) in *Eucalyptus obliqua* forests. Preliminary prescriptions for the strategic management and maintenance of coarse woody debris and associated biodiversity in the forest landscape were developed.



### Threatened species:

- Research studies on Giant Freshwater Crayfish habitat requirements, Swan Galaxias habitat management (right) and the impact of forestry activities on Giant Velvet Worm habitat continued during the year.
- Aerial surveys for Wedge-tailed Eagle nest sites continued across Tasmania during the year. A targeted ground survey for the occurrence of the endangered fish, Swan Galaxias, in the Macquarie catchment was completed during the year with the assistance of Inland Fisheries but no records were found.
- A study investigating the distribution, habitat and conservation status of the forest-dwelling shrub, *Cyathodes platypodes*, in southern Tasmania was funded by Forestry Tasmania and completed during the year. This knowledge will inform conservation management for the species.



### Cultural heritage and geoheritage:

Roland Eberhard completed a report to Forestry Tasmania on the *Classification and Management of Cave-based Activities in State Forest at Mole Creek*. The report suggested a number of measures for implementation if particular activities are carried out.

Excavation of the Lune River fossil site by the University of Tasmania with support of the Forest Practices Board and Forestry Tasmania yielded Jurassic plants including an araucarian tree and numerous ancient ferns. The presence of the reptile, *Tasmaniosaurus*, a primitive group from which the dinosaurs are thought to have evolved, added to the value of the site. Forestry Tasmania will continue to work with the university on further studies in the area.

Forestry Tasmania continues to assess the potential for Aboriginal heritage values for all future operations and organise field inspections where indicated. There is ongoing liaison with the Aboriginal community on a range of issues related to forest management.

## Our technology

Development commenced on a major upgrade of the Forest Inventory Projection System, which stores and analyses timber survey measurement data to provide enhanced estimates of current and future wood yields. Implementation began of a GIS Strategy to increase the future cost-effectiveness of mapping and spatial analysis systems. A quality assessment framework was developed to ensure the accuracy of statistical models used in forest management, and was applied to review plantation growth models. Research continued on the potential use of Airborne Laser Scanning for improved forest mapping and inventory.

Hardware and software for strategic modelling were improved during the year. Increased processing power and a new operating system enabled more complex problems to be solved using a new version of our linear programming optimiser. A hardwood plantation model, based entirely on dynamic yield tables, was completed.

Aboriginal Cultural Liaison Officer Ros Langford describes her role as bringing a greater awareness of Tasmania's rich Aboriginal culture to Forestry Tasmania staff.

"I also work on raising awareness within the Aboriginal community of the commitment that Forestry Tasmania staff, from senior management down, have shown towards learning more about Aboriginal culture."

An accomplished artist, Ros joined Forestry Tasmania in 2004 to take on a challenging role that encompasses the many different aspects of the organisation's operations.

Ros' main focus in this busy year has been the acknowledgment of Aboriginal custodianship at the forest tourism attractions around the State. Through her contributions to projects such as the Dismal Swamp Maze and Visitor Centre, she has worked to ensure that cultural and spiritual identity, and connection to place, are recognised at these sites.

"While Forestry Tasmania is the manager of State forest, Aboriginal people are the custodians of the land. Together, we can work to preserve cultural heritage on State forest."





Forestry Tasmania is internationally recognised as a leader in research on the management of native eucalypt forests and eucalypt plantations. Much of this work is carried out by the Division of Forest Research and Development, which in 2004/2005 employed 30 research staff and managed over 60 R&D projects undertaken to improve the sustainability and productivity of Tasmania's forests for veneer and sawlog production. R&D programs are formally reviewed every year in consultation with stakeholders.

The Division's efforts have underpinned substantial progress in ecologically sustainable forestry for the last 40 years. Activities are focused on meeting organisational and community objectives across three main areas, managed by three R&D Branches within the Division: Biology and Conservation; Native Forests; and Plantations. Their work provides the following key outputs for Forestry Tasmania:

- Forest conservation, forest health and silvicultural research to improve operational performance.
- Development of sustainable harvesting and regeneration techniques for native forests and plantations.
- Research and operational skills in establishing and managing eucalypt, pine and blackwood plantations.

Staff in the Division spend approximately 30% of their time extending R&D into field operational practice.

The Division also manages two business units which are closely aligned to the research program. These are the Forest Nursery at Perth, and the Tasmanian Seed Centre.

Over \$3 million per annum of Forestry Tasmania funds are invested directly in R&D. A significant amount of additional research is also leveraged through collaboration with other research institutions such as the Universities of Tasmania, Melbourne and Queensland, and the Co-operative Research Centre for Sustainable Production Forestry. The Division also generates income through delivering contract research and consultancies both here and abroad.

Over the last two years Forestry Tasmania has played a leading role in the successful bid to establish the new Co-operative Research Centre (CRC) for Sustainable Forest Landscapes which has headquarters in Hobart. The Division will be a major contributor of staff and resources to the CRC over the next seven years. The Division was also successful in obtaining three Australian Research Council Linkage Grants and significant research project funding from the Forest and Wood Products Research and Development Corporation (FWPRDC).

In 2004/2005 researchers were involved in generating some 70 R&D-related publications, including 27 scientific papers in international journals and books.

### Forest R&D: Native Forests Branch

Continuing research by the Native Forests Branch this year included the evaluation of initial eucalypt regeneration at two aggregated retention coupes at the Warra Silvicultural Systems Trial near Geeveston, which is exploring alternatives to clearfelling in wet eucalypt forests. A design for a Tasmanian Group Selection trial was also developed with community input, for implementation at the Warra site in 2005.

The Branch also provided silvicultural support and monitoring for five operational aggregated retention coupes established across the State. This work has increased in significance following the Tasmanian Community Forest Agreement, which requires a reduction in oldgrowth clearfelling and increased adoption of aggregated retention. Other initiatives for the year included: a review of the effectiveness of uneven-aged treatments in achieving high-quality partial harvesting outcomes in highland eucalypt forests; development of an issues paper for management of regrowth rotation lengths that optimise sawlog production; evaluation of growth responses of understorey blackwood to pre-commercial thinning of a eucalypt regrowth overstorey; and reporting of long-term levels of myrtle wilt after selective logging of rainforest. The Branch was also successful in collaborating with universities to attract Australian Research Council funding for two PhD projects: one with the University of Melbourne to study the social acceptability of various silvicultural systems at the landscape level, and another with the University of Tasmania to study environmental and genetic control of blackwood timber quality.



Some of the 300 visitors on a guided tour through the Warra LTER silvicultural stems trial during the year.

Principal Research Officer (Native Forests) John Hickey is a strong believer in conserving Tasmania's native forests.

"I also believe that, where there is a comprehensive reserve system, a sustainable forest industry can also be maintained," he says.

John has been instrumental in guiding the development of alternatives to clearfelling in oldgrowth forests. This innovative research has successfully positioned Forestry Tasmania to meet the Community Forest Agreement target of phasing out oldgrowth clearfelling to 20% of the harvest by 2010.

"Phasing out clearfelling in oldgrowth forest is a complex balancing act: worker safety, regeneration, biodiversity, social acceptability and economic considerations are all essential parts of the equation.

"Through the adoption of new silvicultural techniques such as aggregated retention, we are discovering alternative ways of managing these values in oldgrowth forests.

"It has been very rewarding to be involved in a research program that has contributed to the development of State Government policy."



## Forest R&D: Biology and Conservation Branch

The Branch continued to conduct research into vertebrate and invertebrate pests, diseases and the conservation of natural values. This research is used to develop standard operating procedures and monitoring systems to reduce the risk of economic losses from pests and diseases in production areas, reduce chemical usage, and ensure ecologically sustainable practices.

Each year, the Branch conducts aerial and roadside surveys of all plantations on State forests to check their health. Annual surveys of air and seaports are conducted on behalf of the Australian Quarantine Inspection Service (AQIS) to help ensure the State remains free of Asian gypsy moth. Research being done by the Branch is helping to develop a better early-warning system to detect new incursions of exotic forest insect pests. The methods developed from this research were successfully field-tested this year at Bell Bay. The Tasmanian Forest Insect Collection (TFIC), which is maintained by the Branch, has been registered as part of the National Diagnostic Network established by Plant Health Australia. The TFIC is one of the key national collections for rapidly screening wood- and bark-boring insects that have been intercepted by quarantine officials to determine whether or not they are known to be present in Australia.

An integrated pest management (IPM) strategy is used to protect young plantations on State forests from damaging defoliation by eucalypt leaf beetles. Research into “attract and kill” technology is aiming to improve the effectiveness of leaf beetle IPM against late-season feeding damage by adult beetles.



Research into alternative ways of managing browsing mammals helped pave the way for the decision to phase-out the use of 1080 on State forest. As the alternative, a risk-based framework that supports a range of browsing management tactics has been developed. An implementation group consisting of key staff from field operations and research has been established to speed the translation of research into practical tools for managing browsing.

The Branch co-ordinates biodiversity studies at the Warra Long Term Ecological Research site and maintains several key long-term studies. One of these monitors the succession of log-inhabiting insects that colonise large and small logs. We have completed sorting beetles that colonised the logs during their first three years on the forest floor. Another long-term study is monitoring changes in the diversity and abundance of several key plant and animal groups in the different

types of harvesting treatments being evaluated in the Silvicultural Systems Trial (SST). Surveys this year assessed birds, litter invertebrates, mosses and lichens across much of the SST in readiness for a major review of the SST in 2007.

The Branch manages two long-term research sites investigating the effectiveness of wildlife habitat strips in retaining fauna in production forest landscapes. Re-sampling 10 years after logging has shown that, in wet forests, changes to floristics and the diversity and abundance

of carabid beetles within wildlife habitat strips were much less than in adjacent logged areas. Research done this year will also provide much better estimates of how quickly logs decay on the forest floor. This will allow us to refine our prescriptions on the type and amount of logs to retain during fuelwood harvesting to provide ongoing habitat for log-dependent biodiversity.

#### **Forest R&D: Plantations Branch**

The Branch undertakes R&D and provides advice on the establishment and management of pine, eucalypt and blackwood plantations. It also provides R&D on soils and hydrology.

This year one staff member was awarded a PhD from the University of Tasmania and two staff members gained accreditation by the Institute of Foresters of Australia as Registered Professional Foresters. This recognises the commitment of staff to improve their qualifications and standing in the forest research community.

Work commenced on the development of a tool to evaluate the risk of wind-throw in plantations and native forests. The WindRisk tool is a decision-support system which can be applied to thinning operations in plantations and will be further developed for native forest operations, particularly to assist with risk assessment in partial felling and aggregated retention systems.

Increasing the productivity of eucalypt plantations for high-value wood products through the use of later-age fertiliser addition is an important component of providing future wood supply to Tasmanian industry. A decision tool (EucFert) was released to operational staff to assist in determining which sites would benefit from nutrient addition. This builds on the soil mapping and site classification program.

Genetic improvement is an important component of plantation silviculture. Research conducted by the Branch has led to the deployment of genetically improved seed that is matched to site conditions. Forestry Tasmania is now able to deploy improved seed in all plantation operations. The Branch has also used its knowledge of genetic diversity in eucalypts to develop genetic pollution mitigation strategies in cooperation with University of Tasmania.



Wood quality for pulp, timber and veneer production is a research priority. The Branch is taking a leading role in the development of the ESTR (Eucalypt Sources for Timber Research) database which is partially funded by FWPRDC. Development of the database is supported by private and public sector organisations in all States. It will provide a listing of eucalypt plantation trials throughout Australia that may be suitable for use in wood quality studies for the processing industry.

A hydrology research program was developed during the year and forms a key component of the Tasmanian Community Forest Agreement.

The Australian Centre for International Agricultural Research Project on Cold Tolerant Eucalypts for China and Australia was completed with delivery of results to collaborators at a meeting in Nanning.

#### **Forest R&D: Forest Nursery**

The Forest Nursery at Perth produced over 8.5 million eucalypt and pine seedlings for Forestry

Aerial view of Forestry Tasmania's Forest Nursery.



Tasmania, joint venture partners and private forest growers. This program was assisted through implementation of recent research into seed treatment technology. Successful contracts for interstate hardwood seedling sales have allowed the nursery to expand its business beyond traditional markets.

A full review of containerised nursery facilities has taken place resulting in a proposal to develop an industry-standard germination glasshouse and more fully integrated infrastructure.

Collaboration between the University of Tasmania and the Forest Nursery together with research staff has seen the

implementation of an honours student research project endeavouring to understand and reduce the impacts of moss and liverwort competition in container-grown seedlings.

#### **Forest R&D: Tasmanian Seed Centre**

The Centre continued to supply seed for Forestry Tasmania's regeneration sowing and plantation programs, as well as supplying external customers within Australia and internationally. Total sales of over 4000 kg of seed were achieved from a seed store that includes 32 eucalypts and 60 other species. The Seed Centre on-line shop continued to attract increasing sales as did the small seed packet displays.



# native forest regeneration

Regeneration success is determined by regeneration surveys. The regeneration success of eucalypt coupes is reported after they are three years old, while swamp blackwood, rainforest and Huon pine forest coupes are reported after they are five years old.

Regeneration stocking standards were revised in 2003 and results are now recorded for forest categories on the basis of the percentage of plots stocked. This revised approach has been recommended for national regeneration success monitoring.

The summary of regeneration success for areas of State forest regenerated to native forest is shown below. Successfully regenerated areas have met the stocking standard as outlined in the Native Forests Quality Standards Manual (Forestry Tasmania 2004).

## Regeneration Success Summary for the 2003/04 Reporting Year

Forest Type	0-9% (not stocked)	10-39% (ecological stocking)	40-64% (low wood quality)	65-84% (optimum)	85-100% (maximum)	Total
Lowland dry eucalypt <sup>1</sup>	0	110	88	878	1,247	2,323
Lowland wet eucalypt <sup>1</sup>	0	0	78	473	653	1,204
High altitude <i>E. delegatensis</i> <sup>1</sup>	0	123	74	688	822	1,707
Fenced intensive blackwood <sup>1</sup>	0	0	0	98	120	218
Swamp blackwood <sup>2</sup>	0	0	0	26	0	26
Rainforest <sup>2</sup>	0	0	0	48	0	48
Huon pine forest <sup>1</sup>	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>233</b>	<b>240</b>	<b>2,211</b>	<b>2,842</b>	<b>5,526</b>
Below Standard				<b>% Area Met Standard</b>		<b>93%</b>

<sup>1</sup> 2000/2001 Season.

<sup>2</sup> 1998/1999 Season.

Six coupes totalling 385 hectares did not meet the stocking standard. The primary causes for understocking on a 110 hectare dry eucalypt coupe included browsing, climatic extremes and grass invasion. Two wet eucalypt coupes totalling 78 ha did not meet the standard. One of these was put into a reserve, and further remedial treatment was restricted. The other coupe had a poor burn and was browsed. Of the three *E. delegatensis* coupes totalling 197 hectares, the primary cause of understocking was insufficient overstorey retention.

All the understocked coupes had sufficient stocking to be considered as ecologically stocked and to maintain wood production, albeit at a reduced rate compared to full stocking.

# district reports

## Murchison District

The early part of the financial year saw the completion and the opening of several projects that had been a long time in the planning and construction stages. The District hosted the opening of Forestry Tasmania's new Smithton office complex and stage 1 of the new Circular Head Wood Centre.



The major community event was the opening of the Dismal Swamp Maze and Visitor Centre (left). The local community of Circular Head has seen great support for, and new opportunities emerge from, this new tourism venture. All new projects represent a long term commitment and investment by Forestry Tasmania in the regional community.

Forestry Tasmania has also played an active part in the community by supporting many events and programs over the year. These have widely varied from the Marist Regional College Science Fair to being a sponsor of the Wildside MTB mountain bike race. During the year Forestry Tasmania also supported small communities, large clubs and helped regional and isolated communities.

The Marist Regional College Science Fair involved 184 students competing for two Forestry Tasmania Awards. The awards were for the best individual and the best team projects. Both Forestry Tasmania awards were for \$500 each. This science fair is now being used as a model for an open event that will involve many schools in the region.

Along with our community support of events, Forestry Tasmania is also involved in constant communication with communities and community members. The Murchison District has developed a presentation that helps to explain the extent of planning and long term management that is involved in preparation of Forest Practices Plans and sustainable forest management.

### Wood production figures, Murchison District

Forest type	Product	District total
Native forest	Sawlog Cat. 1 & 3 (m3)	52,991
	Sawlog Cat. 2 & 8 (m3)	10,145
	Veneer (m3)	2,101
	Regrowth peeler (tonnes)	68,065
	Special species (m3)	10,510
	Pulpwood (tonnes)	402,370
	Fuel & firewood (m3)	4,396
	Posts & poles (units)	2,228
	Craftwood (units)	841
	<b>Native Forest Total</b>	<b>553,647</b>

## Mersey District

The year has been productive for the District in terms of community projects. The District recently completed its second Green Corps program at Winterbrook, which has resulted in a major upgrade of track conditions along the old tramway route and the re-opening of the Maxwells track to provide an alternative loop back from the Winterbrook Falls.

Community consultation with the Canyon and Bluff Working Group and Jackeys Marsh Residents' Association has resulted in positive outcomes for both the community and Forestry Tasmania.

Continued support of recreational and sporting events in State forest has provided a forum for ongoing discussion with major user groups such as the equestrian fraternity, mountain bikers, orienteers and recreational vehicle enthusiasts. The 2005 Quilty Endurance Ride held at Sheffield provided Forestry Tasmania with an opportunity to showcase our multiple use philosophy despite the appalling weather.

The "jewel in the crown" of current community partnerships is Dooleys Track along the Wilmot



Innovation and the fostering of creative solutions to problems have been the enjoyable aspects for Works Coordinator for Mersey District Bob Knox. Over his 31 years with Forestry Tasmania, Bob has found that by giving people support, room to grow and to develop ideas, any problem can be solved.

Bob coordinates all works within Mersey, such as roading, plantation management, fire management, reserves and recreation facility management. He will often head out into the field during the week, looking at projects and offering assistance to staff.

"The forest industry is constantly offering new challenges and has given me the opportunity to see lots of Tasmania and different aspects of the business. I like to see people reach their full potential, and I create opportunities in the work place for that to happen."

The highlight of 2004/2005 has without a doubt been the move away from using 1080. Bob and the Mersey staff have been actively involved in the successful development of alternatives to managing browsing and have found the opportunity to develop and trial alternatives very rewarding.

### Wood production figures, Mersey District

Forest type	Product	District total
Native forest	Sawlog Cat. 1 & 3 (m3)	18,741
	Sawlog Cat. 2 & 8 (m3)	14,352
	Veneer (m3)	303
	Regrowth peeler (tonnes)	7,337
	Special species (m3)	103
	Pulpwood (tonnes)	280,186
	Fuel & firewood (m3)	1,314
	Posts & poles (units)	7
	Craftwood (units)	0
	<b>Native Forest Total</b>	<b>322,343</b>

River. The Wilmot Heritage Trail Group, with whom Forestry Tasmania has a community agreement, has worked tirelessly to overcome the final hurdles that will allow passage across small parcels of private land along the reopened Dooleys Trail which follows the Wilmot River for 17kms from Alma Reserve to Spellmans Bridge.

The track has been brought up to safe walking track standards and bridges have been installed across a number of tributaries with logistical assistance from the Australian Army. The group is currently completing picnic shelters and arranging toilet facilities prior to the official opening scheduled for November 2005.

## Bass District

The 2004-05 financial year has been a busy year for community liaison, with District involvement in many community projects.

Work was accomplished in partnership with the community in upgrading visitor sites around the District. In conjunction with Mineral Resources Tasmania and the St Helens History Room, work was undertaken to stabilise the Anchor Mine 'Stampers' and to construct a walking track to the site. The District also liaised with the Cornwall and St Marys communities in relation to developing a cultural (mining) walking track, linking the old Mt Nicholas township to South Sister. Track Caretakers were appointed under the Adopt-a-Track Program for the Briesis Race, Halls Falls and Anchor 'Stampers' walking tracks. Work was undertaken with Scottsdale District High School students to design visitor shelters for the Sideling and Springfield arboreta.

### Wood production figures, Bass District

Forest type	Product	District total
Native forest	Sawlog Cat. 1 & 3 (m3)	59,554
	Sawlog Cat. 2 & 8 (m3)	53,362
	Veneer (m3)	3,922
	Regrowth peeler (tonnes)	34,736
	Special species (m3)	3,946
	Pulpwood (tonnes)	890,019
	Fuel & firewood (m3)	1,885
	Posts & poles (units)	58
	Craftwood (units)	80
<b>Native Forest Total</b>		<b>1,047,562</b>

Several events were conducted with the assistance of the District, including the Forestry Tasmania Scottsdale Cycling Grand Prix.

Bass District was represented on various community groups including Tasmanian Visitor Information Network (TVIN), Dorset Tourism Board, Break O'Day Tourism Association, Dorset Waterwatch, and the North East Axemen's Association. Liaison was undertaken with the

community on forest practices in Bass District. District staff also represented Forestry Tasmania at schools career information workshops.

Cash and in-kind sponsorship from the Bass District totalled over \$12,000.00 for the year.

Some events in the District included the East North East School Carnival, Griffin Park; the Auspine Car Rally, Scamander; the Screamer Car Rally, Scamander; the Hollybank Ride-a-Thon; Australian Motorcycle Week (15-19 Nov); the Northern Carriage Society Children's Picnic, Hollybank Forest Reserve; the Tamar Valley 4WD Club tour (Mt Horror); Esk Valley Orienteering, St Helens; Back to Roses Tier community celebration; the Star of Sea College walk to Mt Arthur and the NE Equine Endurance Club ride at Lebrina.



After 33 years with Forestry Tasmania, Paul Rosevear – the Planning Coordinator for Bass District – still finds enjoyment in the day to day aspects of his work. Some of the roles Paul is required to perform

include: district planning, community liaison, committee member for the Natural Resource Management North process and fire management planning for interagency fire management teams. He also manages a team of planners, GIS personnel and assessors and is responsible for the preparation of the three year plans of operation and timber harvesting plans for the district.

"I enjoy the community consultation and environmental management aspects of my job. I enjoy making things happen and working with a team of people to make sure programs get completed."

Among the highlights of the past year, Paul points to the successful completion of the Natural Resource Management North Strategy, which ensures a balanced outcome for natural resource management.

## Derwent District

Derwent District community activities were diverse with support for many community groups provided over the financial year. The District also supported sporting clubs, shows and events to ensure a positive forestry focus in the community.

Activities included providing a presence at the Bream Creek, Hamilton and Autumn in the Valley (New Norfolk) shows. Topics presented at these shows included our timber heritage, sustainable forestry and the Maydena Hauler development.

Support was provided to the Bicheno Axemen's Association and to the Hamilton Show Society to stage the woodchop event. Rally organisations, horse-riding and bushwalking clubs were also supported by the District.

Forestry Tasmania contributed to a range of community organisations including the Tyenna Tourism Association, Freycinet Coast Tourism Board and the Glamorgan-Spring Bay Economic Development Group. Forestry Tasmania assisted with the publishing of tourism collateral material

for the Tyenna Valley and general support for the east coast community groups.

Community engagement also focused on the Maydena Hauler (see map at left) and a range of meetings and community discussions was held to advise community and key stakeholders on the development of the Hauler.

The Community Liaison Officer provided forestry presentations to many organisations throughout the District, including schools and aged care facilities. Some tours were also conducted through the forests, especially in the Styx and Wielangta areas.



### Wood production figures, Derwent District

Forest type	Product	District total
Native forest	Sawlog Cat. 1 & 3 (m3)	113,973
	Sawlog Cat. 2 & 8 (m3)	18,191
	Veneer (m3)	2,758
	Regrowth peeler (tonnes)	31,232
	Special species (m3)	963
	Pulpwood (tonnes)	734,256
	Fuel & firewood (m3)	1,817
	Posts & poles (units)	1,333
	Craftwood (units)	1,274
	<b>Native Forest Total</b>	<b>905,797</b>



Vanessa Thompson, Forest Planner for Derwent District, travels hundreds of kilometres each week as she works to ensure that timber harvesting is balanced against community values.

"I spend a lot of time talking to people about the forest, getting a better understanding of the area," Vanessa said.

"Forestry is not just a case of deciding when and how a coupe is to be harvested. It involves balancing a range of social needs, in addition to our obligations under the Forest Practices Code."

Vanessa said that one of the most enjoyable aspects of her job is getting to know local communities.

"Once we are aware of local issues, we can then plan roading, harvesting and regeneration to a timetable that matches demand for timber with community needs."



## Huon District

Community liaison within the Huon District for the year has seen a continuous effort by a large

number of Huon District staff, including staff from Administration, Works, Sales, and Planning. The support of and attendances to a broad range of community group meetings and the support of organisations within the Huon Valley play a major role in District activity.

Some of those groups supported include the Bruny Forest Group, Tylers Hill Community Consultative Committee, the Huon Resource Development Group, Southern Ocean Shellfish Growers inc., Huon Valley Kingborough Tourism Association, Far South Network, Huon Valley Council, Timber Communities Australia, Tasmania Police, Kingborough Council, Judbury Progress Association, Geeveston Green Jackets, and Geeveston Streetscape Group.

As an adjunct to community liaison, 20 educational tours and three major events were conducted or attended in the Huon District.

The District's display at the Huon Agricultural Show won Best Industrial Display at the show.

The second Tasmanian Forest Festival was held at Heritage Park in Geeveston, in which Huon District played a major supporting role during February 2005.

The third round of the Australian Rally Championships was conducted for the first time in the Huon area. Forestry Tasmania was a major contributor to the success of that event.



Pit saw demonstration at the Huon Agricultural Show

With his strong ties to the region, Huon District's Community Liaison Officer, Peter Pepper, is constantly in demand.

A typical day for Peter may involve resolving local issues around forestry operations, attending community meetings, or working tirelessly to bring events such as the Tasmanian Forest Festival and Subaru Safari to the Huon Valley.

"Being a Community Liaison Officer means that you are often the first point of contact for people when they are dealing with Forestry Tasmania," explains Peter. "That means it's important to be approachable, and available outside normal working hours."

Peter's professional background includes working in senior positions in both State and Federal Government, but he characterises life as a Community Liaison Officer as one of the more challenging roles he has held.

"However, it is also a very rewarding experience that has given me a greater insight into the nature of my fellow Tasmanians."



### Wood production figures, Huon District

Forest type	Product	District total
Native forest	Sawlog Cat. 1 & 3 (m3)	100,570
	Sawlog Cat. 2 & 8 (m3)	3,827
	Veneer (m3)	4,271
	Regrowth peeler (tonnes)	18,063
	Special species (m3)	1,786
	Pulpwood (tonnes)	417,472
	Fuel & firewood (m3)	3,848
	Posts & poles (units)	3,477
	Craftwood (units)	430
	<b>Native Forest Total</b>	<b>553,744</b>

# tourism in Tasmania's forests

**T**ourism and recreation are keystones in Forestry Tasmania's vision for multiple-use forests. The implementation of Forestry Tasmania's tourism strategy, complementing the State Government's Tourism 21 Plans, has seen the development of new attractions in regional Tasmania during the past year, forming a Statewide series of international-standard tourism venues providing investment, jobs and profits.

The Premier, Paul Lennon, opened forestry Tasmania's newest tourist attraction, Dismal Swamp Maze and Visitor Centre, in late September 2004. Since its opening, the attraction has received around 36,000 visitors, and has become a key component of the Great Nature Trail. It also gained early industry recognition by winning the Tidy Towns Award for Best New Ecotourism Venture and the Colorbond Steel Award in the Tasmanian Architectural Awards.

The Maydena Hauler project has progressed to the advanced planning stage with development application

approval granted

by the Derwent

Valley Council.

Based on early

timber gathering

techniques using

cable haulers, the

site will incorporate

a six kilometre

journey via a four

wheel drive coach

and tramway

system. Visitors will

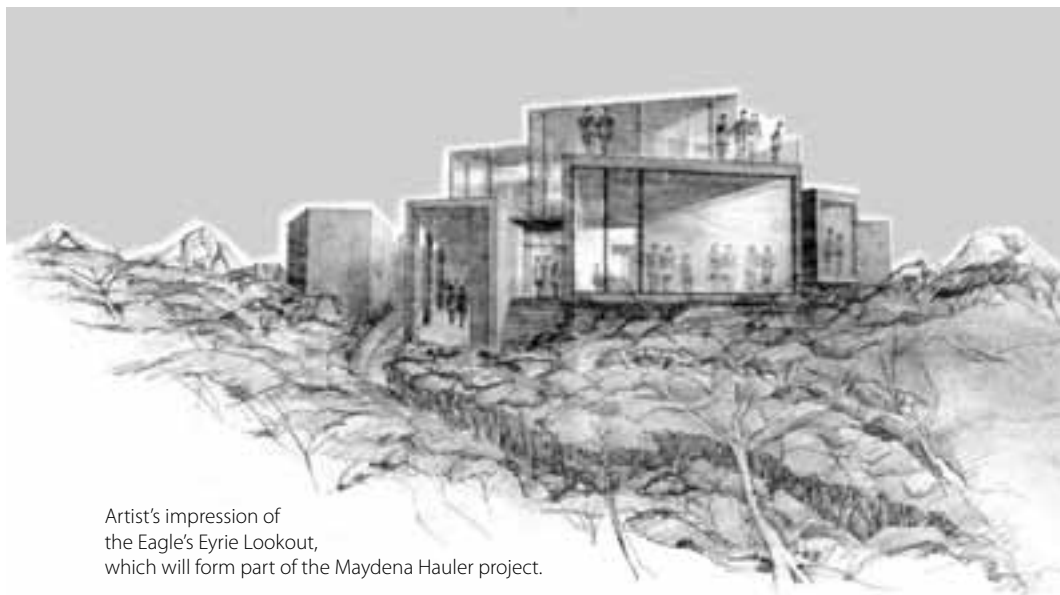
travel to the summit

of the Maydena

Range and experience a breathtaking 360 degree panorama of Southern Tasmania. The project will

also feature a working sawmill and a visitor centre.

The Tahune AirWalk continued at the forefront of the Huon Trail touring route, while the Forest EcoCentre won the Tasmanian Tourism Award for Destination Marketing. The Tahune AirWalk and Forest EcoCentre maintained their Advanced Ecotourism Accreditation, and the Melville Street Dome its Ecotourism Accreditation, with peak body Ecotourism Australia. The Tahune AirWalk also remains certified under GreenGlobe 21.



Artist's impression of the Eagle's Eyrie Lookout, which will form part of the Maydena Hauler project.

During 2004-05, Forestry Tasmania appointed its first Aboriginal Cultural Liaison Officer, marking a significant step in the journey towards a more respectful and constructive relationship with the Tasmanian Aboriginal Community.

The past year has seen some major achievements in this developing relationship. The interpretation at Dismal Swamp incorporated a significant cultural component, including artworks developed especially for the site and an Acknowledgment of Country plaque located in the Visitor Centre. A similar plaque, this time incorporating traditional petroglyphs, was also unveiled at a community celebration at the Forest EcoCentre in Scottsdale during NAIDOC Week.

NAIDOC Week also saw the launch of 'Island Spirit Art', a set of high quality greeting cards featuring the work of Aboriginal Artists in Tasmania. The cards, which showcase contemporary and traditional art including painting, fibrework and shell necklaces, will help to fund Forestry Tasmania's future Aboriginal tourism initiatives.

With the opening of Dismal Swamp and an expected increase in visitation to the North West, a visitor research program was carried out at three visitor sites in the region. Improved road signage, interpretation of our forests and the upgrading of some facilities are expected to flow from the results of the study.

Assistance in planning, design and input to projects undertaken by the Districts and as joint ventures with the community is ongoing. Key projects during 2004-05 included Dooley's Track near Wilmot, Northeast Park in Scottsdale, the South Arthur Forest Drive, access to the Big Trees in the Styx and relocation of the Lookin Lookout on the Arve Road.

Involvement with interagency working groups continued and saw the reprint of joint brochures promoting walks and natural areas. Other projects included the development of guidelines for four wheel drive and trail bike use on Crown Lands and promoting the Tasmania Trail to larger sections of the community.





# management and accountability



# corporate governance

**T**he Board of Directors of Forestry Tasmania is responsible for the overall corporate governance of the organisation. This includes setting strategic direction, overseeing financial performance and business affairs, setting management goals and monitoring management's performance.

As a fully State-owned Government Business Enterprise, the Board of Directors is responsible directly to the Minister for Infrastructure, Energy and Resources for its operations.



According to Sandra Williams, the most important attribute required to work at the heart of Forestry Tasmania is a sense of humour.

When asked to describe her role as the Managing Director's Personal Assistant, she says, "there is no typical day."

"The demands of the business mean that you have to be flexible – you can't plan your week's schedule without expecting it to change. It's

important not to take yourself too seriously."

Sandra started with the then Forestry Commission in 1968, and has worked as Personal Assistant to no less than five Chief Commissioners, all with differing management styles and personalities. She cites the increased pressure on members of the Executive team as one of the most significant changes she has seen over this time.

Sandra said that a positive transformation has been the more enlightened attitude towards women in the workplace.

"When I started with the then Forestry Commission, women were not allowed to wear slacks and were sent home to change if they were considered to be inappropriately dressed. This was common practice among most government agencies in those days, together with the edict that men must wear a tie."

Sandra added that regardless of all the "old rules", Forestry Tasmania has always been a great place to work "because of the people."

Directors are appointed in accordance with the Forestry Act and their responsibilities are outlined in the Government Business Enterprises Act 1995. Remuneration fees for non-executive directors are set by government.

The Board aspires to a high degree of ethical behaviour and accountability and has developed a set of policies and procedures to govern the operations in accordance with these principles.

Monthly reports on operations and finance are supplied to the Board about the outputs of the organisation. This is reviewed monthly with senior managers, who also regularly contribute advice on strategic issues to the Board.

The Board visits operating sites and major customers as part of its corporate governance role. The Chairman of the Board has meetings from time to time with the Minister for Infrastructure, Energy and Resources and reports quarterly financial performance to the Treasurer.

Board Members	Board Meetings		Audit Committee Meetings		ESH Committee Meetings		Finance Committee Meetings	
	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number
DIRECTOR								
L Wilson	11	11	7	7	-	-	4	4
E Best	11	9	7	6	3	3	-	-
A Kloeden	11	9	7	6	3	3	-	-
H Elliott	11	11	-	-	3	3	-	-
D Radford	11	10	-	-	-	-	4	4
E Rolley	11	10	7	6	-	-	4	4



## Board of directors

Lawrence A Wilson (chairman)—DipAppChem,

DipChemEng Swin, BComm Melb, FAICD,

Edward C Best—BSc, BEng (Hons) Tas, MBA Deakin, FIE (Aust), MAICD

Deborah Radford—BEc LaTrobe, GradDipFin&Inv SecInstAust

Adrian Kloeden—MSc (BusStudies) Lond, BScFor (Hons) ANU, FAIM, MAICD

Humphrey J Elliott—BScFor ANU, Dip.Agric.Ent Syd, PhD Syd

Evan R Rolley—BSc ANU, BA Tas, FIFA

Secretary to the Board: Penny Egan—B.Bus (Acc) University of Tas, FCPA, GAICD



Board members (left to right) Laurie Wilson, Deborah Radford, Adrian Kloeden, Ted Best, Evan Rolley and Humphrey Elliott.

## Board committees

The Board of Directors holds special ad-hoc meetings as required, and has four sub-committees.

These committees make informed recommendations on corporate issues to the Board, which then makes final decisions to guide Forestry Tasmania's operations.

### Audit Committee

This committee monitors Forestry Tasmania's overall control procedures, external financial reporting and business risks. It provides direct oversight and liaison, on behalf of the Board, with the internal auditors (KPMG) and the Auditor-General. The committee meets the independent internal auditors privately at least once a year to review the performance of the organisation and obtain assurances on the adequacy of financial and accounting controls.

Members and attendees—E Best (chair), L Wilson, A Kloeden, E Rolley, P Egan, and representatives from KPMG and the Auditor-General's office.

### Remuneration Committee

This committee oversees remuneration policies, and reviews and approves remuneration arrangements for the senior executives.

Members—L Wilson (chair), E Best, D Radford, H Elliott, A Kloeden

### Environmental, Safety and Health Committee

This committee monitors implementation of the organisation's environmental, occupational health, and safety policies, and forest management systems. It reviews any related strategic issues.

Members—H Elliott (chair), E Best, A Kloeden, K Creak, H Drielsma.

### Finance Committee

This committee provides guidance to the Board on financial policy, proposals and strategies.

Members—D Radford (chair), L Wilson, E Rolley, P Egan.

## Legislative and policy compliance

Forestry Tasmania operates in accordance with the following statutes and policies:

- Forest Practices Act, 1985
- Forestry Act, 1920
- Forests & Forest Industry Strategy, 1991
- Government Business Enterprises Act, 1995
- New Forestry Initiatives, 1999
- Public Land (Administration & Forests) Act, 1991
- The Forestry Growth Plan, 1998
- The Tasmanian Regional Forest Agreement, 1997
- Trade Practices Act, 1974
- Timber Promotion Act, 1970
- Vocational Education and Training Act, 1994

## Statement of Corporate Intent

Prepared pursuant to Section 41 of the Government Business Enterprises Act 1995.

The main business of Forestry Tasmania is the sustainable production and delivery of forest products and services for optimum community benefit.

The key ways this will be achieved are by:

- expanding hardwood production capacity through intensive forest management, including establishing new plantations
- expanding softwood production capacity through a joint venture company established by partial sale of the State softwood plantation resource
- marketing the recreational and tourism potential of State forests.

The range of non-commercial activities undertaken by Forestry Tasmania as part of multiple-use forest management on non-commercial areas of State forest will include:

- conserving natural and cultural heritage values
- providing recreation, education and research activities
- providing forest fire protection services for the State.

## Other governance issues

- an independent Board review was undertaken in 2004-05 involving Directors, senior management and relevant Government ministers and stakeholders
- all the Directors are soundly experienced in corporate law and governance issues
- the combined skills of the Directors include international, corporate management, marketing, finance and forest management
- the Directors adhere to the Forestry Tasmania Corporate Governance Policy and Human Resources Policies and Procedures
- Board sub-committees are governed by individual Charters and membership is based on expertise.

## Forestry Tasmania's business values

The following business values have been approved by the Board and are operated throughout the organisation:

### **Care for people**

We treat others with respect. We foster a safe workplace. We develop the skills of our employees. We learn from our mistakes. We give recognition for achievement.

### **Careful thought**

To make wise decisions based on scientific research, commercial factors and on our understanding of statutory responsibilities and government policy.

### **Stewardship**

We want future generations to have opportunities for the use and enjoyment of Tasmania's natural environment just as the generation we now serve.

### **Innovation**

We support the acquisition of knowledge and the continuous improvement of processes and products. We pursue new ideas, tools and practices.

### **Passion**

We work hard because we believe that what we do is important to the Tasmanian community. We celebrate success.

### **Integrity**

We do what we say we will do, taking responsibility for the consequences of our decisions and actions. We act in good faith with our customers, contractors and stakeholders to achieve shared outcomes.

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## Managing Director's statements

### **The Superannuation Guarantee**

Forestry Tasmania has met its obligations under the Superannuation Guarantee (Administration) Act 1992 of the Commonwealth, as amended, in respect of any employee who is or becomes a member of a complying superannuation scheme to which the Agency contributes, other than the accumulation scheme or the contributory scheme.

### **Procurement and Tasmanian businesses**

Forestry Tasmania ensures that Tasmanian businesses are given every opportunity to compete for our goods and services contracts. It is our policy to support Tasmanian businesses whenever their services are competitive in terms of quality and price. The organisation entered into 19 procurement contracts during the 2004-2005 year valued at more than \$50,000, with a total value of \$4.10 million. Eighteen of these contracts were with Tasmanian suppliers.

  
Evan R. Rolley  
Managing Director

# executive structure



EVAN ROLLEY  
Managing Director

- Corporate Affairs
- Human Resources
- Internal Audit
- Corporate Strategy
- Business Development



HANS DRIELSMA  
Executive General Manager

- Forest Research and Development
- Information Technology
- Planning and Resources



KIM CREAK  
General Manager,  
Operations & Sales

- Engineering
- Fire Management
- Harvesting
- Plant Resources and Stores
- Customer Services

Northern region:

- Bass District
- Mersey District
- Murchison District

Southern region:

- Huon District
- Derwent District



JANE FOLEY  
General Manager,  
Tourism & Community Services

- Tourism and Community Services
- Community Services Programs



PENNY WARREN  
Chief Financial Officer;  
Secretary to the Board

- Accounting Operations
- Budget and Management Information



# financial report





## Statement of Financial Performance for the year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
Total revenue from ordinary activities	2	185,704	191,400
Expenses from ordinary activities excluding borrowing costs	3	(166,385)	(166,147)
Borrowing costs expenses	3	(1,594)	(1,180)
Net movement in unfunded superannuation liability	3	(4,227)	(7,571)
Share of net profit/(loss) of joint ventures accounted for using the equity method	29	8	(2)
<b>Profit from ordinary activities before net market value adjustment</b>		<b>13,506</b>	16,500
Plantation forest net market value increment/(decrement)	1.2, 4	(12,645)	(14,293)
Native forest net market value increment/(decrement)	1.2, 4	-	23,596
<b>Profit/(loss) from ordinary activities before income tax</b>		<b>861</b>	25,803
Income tax credit/(expense) relating to ordinary activities	5(a)	695	(6,913)
<b>Net profit/(loss)</b>		<b>1,556</b>	18,890
Net increase/(decrease) in asset revaluation reserves arising on revaluation of non current assets	21	(27,146)	2,433
Total revenue, expense and valuation adjustments recognised directly in equity		(27,146)	2,433
<b>Total changes in equity</b>	22	<b>(25,590)</b>	21,323

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial report.

# Statement of Financial Position for the year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
<b>CURRENT ASSETS</b>			
Cash	7(a)	18,691	10,520
Receivables	9	28,866	28,625
Inventories	10	6,997	6,281
Forest estate	1.1(j), 1.2, 11	26,336	22,949
Other	12	560	574
<b>Total current assets</b>		<b>81,450</b>	68,949
<b>NON CURRENT ASSETS</b>			
Forest estate	1.1(j), 1.2, 11	710,173	737,763
Property, plant and equipment	13	30,754	27,568
Receivables	9	202	872
Investments accounted for using the equity method	14, 28	53	44
Other financial assets	15	16,523	16,840
Deferred tax assets	5(d)	24,229	22,269
<b>Total non current assets</b>		<b>781,934</b>	805,356
<b>Total assets</b>		<b>863,384</b>	874,305
<b>CURRENT LIABILITIES</b>			
Payables	17	34,050	27,309
Current tax liabilities	5(b)	-	2,024
Provisions	19	16,585	15,582
<b>Total current liabilities</b>		<b>50,635</b>	44,915
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities	18	32,000	25,000
Deferred tax liabilities	5(c)	25,484	22,452
Provisions	19	58,450	55,301
<b>Total non current liabilities</b>		<b>115,934</b>	102,753
<b>Total liabilities</b>		<b>166,569</b>	147,668
<b>Net assets</b>		<b>696,815</b>	726,637
<b>EQUITY</b>			
Contributed equity	20	233,057	232,057
Reserves	21	419,440	446,586
Retained profits	22	44,318	47,994
<b>Total equity</b>	23	<b>696,815</b>	726,637

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial report.

# Statement of Cash Flows for the year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Inflows:</b>			
Cash receipts from customers		177,638	173,493
Proceeds from the Tasmanian Community Forest Agreement		12,500	-
Distributions received		2,200	2,200
Interest received		485	449
<b>Outflows:</b>			
Payments to suppliers and employees		(154,894)	(145,187)
Payments to suppliers and employees for plantation forest activities		(11,292)	(8,592)
Borrowing costs paid		(1,594)	(1,180)
Tax equivalents paid		(3,778)	(2,942)
<b>Net cash provided by operating activities</b>	7(b)	<b>21,265</b>	<b>18,241</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Inflows:</b>			
Proceeds from sale of property, plant and equipment		3,000	-
<b>Outflows:</b>			
Payments for property, plant and equipment and other assets		(20,508)	(21,640)
<b>Net cash used in investing activities</b>		<b>(15,862)</b>	<b>(19,270)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Inflows:</b>			
Equity contribution	23	1,000	-
Proceeds of borrowings		7,000	4,000
<b>Outflows:</b>			
Statutory dividend paid	6	(5,232)	(3,844)
<b>Net cash provided by financing activities</b>		<b>2,768</b>	<b>156</b>
Net increase/(decrease) in cash held		<b>8,171</b>	<b>(873)</b>
<b>Cash at the beginning of the financial year</b>		<b>10,520</b>	<b>11,393</b>
<b>Cash at the end of the financial year</b>	7(a)	<b>18,691</b>	<b>10,520</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial report.

# Notes to the Financial Report for the year ended 30 June 2005

## 1.1 Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

### (a) Basis of accounting

This general purpose financial report has been prepared in accordance with the requirements of the Government Business Enterprises Act 1995 and applicable Treasurer's Instructions, Australian Accounting Standards and Urgent Issues Group Consensus Views.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair valuations of non-current assets. All values are rounded to thousands.

The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

### (b) Reclassification of financial information

Some line items reported in the previous financial year have been reclassified and repositioned in the financial statements to ensure consistency with accounting standards.

### (c) Accounting for joint ventures

Forestry Tasmania's interest in its unincorporated joint ventures is brought to account by including its proportional share of the joint venture's assets, liabilities, expenses and revenues from sale of output on a line by line basis. Interest in incorporated joint ventures is brought to account on an equity basis.

### (d) Inventories (excluding forest assets)

Inventories are valued at the lower of cost and net realisable value unless otherwise specified. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs incurred in bringing inventory items to their present location and condition are accounted for as follows:

- \* Raw materials - purchase cost
- \* Finished goods and work in progress - costs of direct materials and labour and a proportion of overheads.

### (e) Non current assets

*Recoverable amount of non current assets valued on a cost basis*

The carrying amounts of non current assets, valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

*Revaluations of non-current assets*

Non current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. The valuations completed for land and buildings as at 1 July 2004 were completed by the Government Valuation Services. Revaluation of the native forest asset is undertaken on an annual basis (refer note 1.2). Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

# Notes to the Financial Report for the year ended 30 June 2005

## *Disposal of revalued assets*

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal and is included in the financial results in the year of disposal. The asset revaluation reserve is adjusted if there is a revaluation component included in the value of the asset being disposed.

## *Depreciation and amortisation*

Depreciation rates are reviewed annually to ensure that the useful life of the asset is evaluated and the depreciation rate adjusted accordingly. Straight line depreciation is used on all items except plant and vehicles which have been depreciated on the diminishing value basis.

Depreciation on roads is at rates calculated to allocate the cost less estimated residual value over the useful life of the assets.

Depreciation is provided for plant and vehicles at a rate equivalent to the cost less estimated salvage value allocated across the expected useful life to Forestry Tasmania.

Amortisation is provided on prospectus costs over five years irrespective of the life of the underlying agreement, commencing at completion of the underlying agreement.

Major depreciation periods are:

- \* freehold buildings - 25 to 40 years;
- \* leasehold improvements - 15 to 20 years;
- \* plant and equipment - 2 to 15 years; and
- \* roads and road structures - 2 to 20 years.

## *Capitalisation threshold*

All land transactions are capitalised, irrespective of value. The capitalisation threshold for plant and equipment is \$1,000 and \$5,000 for all other non current assets.

## **(f) Income tax equivalent**

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences between accounting and taxable income. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the related taxation benefit or liability, calculated at current rates, is disclosed in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.

## **(g) Provisions**

### *Provision for superannuation*

Forestry Tasmania recognises as an expense in the current period the cost of contributions and interest thereon, and the interest cost attributable to the opening liability at the beginning of the period.

The contribution expense is determined by applying an actuarially derived contribution rate to the salary and wage expense of the period.

### *Provision for annual leave*

Liabilities for annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on wage and salary rates that the business expects to pay as at reporting date including related on costs.

### *Provision for long service leave*

The provisions for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.



# Notes to the Financial Report for the year ended 30 June 2005

In calculating the liability, consideration has been given to future increases in wage and salary rates, including on costs, and takes into account Forestry Tasmania's experience with staff departures. The discount rates utilised in the calculation of the liability are provided by Treasury.

All vested long service leave is shown as a current liability.

## *Provision for workers compensation*

Forestry Tasmania is a self insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2005. The provision also includes an allowance for unreported claims at 30 June 2005.

## *Provision for sick leave*

No liability has been recognised in the accounts for sick leave as Forestry Tasmania operates a "no debit no credit" system for all employees.

## **(h) Revenue recognition**

### *Sales revenue*

The point at which revenue is recognised for products sold within the State is considered to be either when the timber is loaded at the landing or delivered to the mill door. Export sales are recognised when the ship departs a State port. Revenue from forest management services and other income, including grant income, is recognised as work is completed.

### *Interest income*

Interest income is recognised as it accrues.

### *Asset sales*

The gross proceeds of asset sales are included as revenue. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed and is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### *Forestry Rights*

The proceeds received for the allocation of forestry rights is recognised in the Statement of Financial Performance in the year the proceeds are earned.

### *Forest valuation net market value movement*

Increments or decrements in the net market value of the plantation forest asset are recognised as revenues or expenses in the financial year in which they occur. The net increment or decrement in total net market value is determined as the difference between the net market value at the beginning of the year and at the end of the year after adding back the net market value of forest harvested during the year.

## **(i) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# Notes to the Financial Report for the year ended 30 June 2005

## **(j) Forest estate valuation - wholly owned estate**

The forest estate comprises the standing timber crop, land and roads. To comply with AASB 1037 Self Generating and Regenerating Assets the plantation forest estate component assets have been separately reported in note 11 of the accounts. The entire forest estate asset is separately reported on the Statement of Financial Position.

### ***i) Standing Timber***

The forest crop is valued using a discounted cash flow method to derive a net present 'market' value of the existing forest crop. Forestry Tasmania's rights to plantations (at harvest date) through Tree Farm Agreements are also valued using this method. The principal assumptions which relate to the generating of discounted cashflows are outlined below:

#### *Discount Rates*

For wholly owned native forest stands, Forestry Tasmania has applied a weighted average cost of capital pre tax real discount rate of 8.94% (2004:6.64%). The pre-tax market based discount rate applied to hardwood plantation crops is 10.50% (2004:10.50%) and to softwood plantation crops is 10.50% (2004:10.50%).

#### *Continuity*

The valuation assumes the continuation of existing practices with regard to forest management and silviculture.

#### *Volumes*

The native forests values are based on the expected harvest volumes of peeler and veneer logs, sawlogs, and pulpwood. Volume assessments for native forests were last reviewed in 2002 as part of the Regional Forest Agreement (RFA) review process and have been updated to take into account the volume losses associated with the change in silviculture alternatives from 2010 in relation to non clearfell in old growth forests and new conservation reserves under the Tasmanian Community Forest Agreement (TCFA). The native forest volumes will be reassessed in 2007 in accordance with the RFA five yearly review process. Hardwood and softwood plantation volumes are based on inventory data collected from 1998 up to 2004.

Only the current standing timber crop is valued. That is, no recognition is made of the costs and returns related to future tree crops, or of the harvest and delivery of logs.

#### *Costs and Prices*

Costs and prices for forest products are based on the weighted average of Forestry Tasmania's three preceding years, except that the sale price for hardwood plantation forest products is the estimated or predetermined domestic price.

The cost of improving and managing the existing crop, inclusive of a land rental cost and administration overheads is deducted from the cash flows. The rental cost of 5% (2004:5%) is applied to the value of land supporting productive crops. Establishment and re-establishment costs for the current year and future crops are excluded.

### ***ii) Roads***

The value of the forest estate separately recognises the value of Forestry Tasmania's roads. The major and minor roads and infrastructure are valued at cost.

### ***iii) Land***

The land asset is production forest land and is valued using fair value principles from valuations supplied by the Valuer General. Additions to the land asset are at cost. A revaluation of the land was completed as at 1 July 2004 by the Valuer General. An additional revaluation for land taken to conservation reserves will be completed in 2005-06 when the mapped areas have received legislated approval.

Forestry Tasmania has recognised as revenue the sale of forestry rights over the land associated with the GMO Renewable Resources Softwood Joint Venture. The land associated with these forests was devalued in 1999/2000 by \$16 million. Land values are incrementally increased with the progressive regaining of this control over the remaining 65 years using the discount rate applied to plantations. The land associated with other joint ventures is retained as a Forestry Tasmania asset.

# Notes to the Financial Report for the year ended 30 June 2005

## **(k) Forest estate valuation - interest in joint ventures**

Forestry Tasmania is involved in softwood and hardwood plantation joint ventures.

The joint ventures arrangements exist in two forms. One form is for plantations established on privately owned land with Forestry Tasmania providing the management expertise and financing the majority of the other inputs. The second is where plantations are established in State Forest with Forestry Tasmania providing varying amounts of management and other inputs as set out in the respective agreements. The agreements provide for the eventual harvest to be shared between the joint venturers in proportion to the discounted value of inputs calculated over the life of the ventures.

In valuing joint venture plantations the same basic method has been used as that in place for wholly owned forests to recognise Forestry Tasmania's share of the joint venture except that expenditure and revenue attributable to joint venture partners are excluded. The joint ventures have been individually valued as at 30 June 2005.

The crop value of the GMO Renewable Resources softwood plantations is based on a discounted cashflow method to derive a net present market value. The valuation was undertaken by an external consultant, PF Olsen and Company and was completed as at 31 December 2004. All prices are adjusted for expected future market trends. The pre-tax market based discount rate applied to plantation crops is 10.50% (2004:10.50%).

The crop value of the hardwood plantations jointly owned with Plantation Platform of Tasmania Pty Ltd (PPT) and Gunns Ltd is based on the 'cost' of establishment. AASB 1037 permits the cost basis to be used as a measure of the crop valuation in cases where little biological change has taken place since planting.

## **(l) Grants**

In 1995, a Helsham receivable was raised to reflect the grant of Helsham funds to be received by Forestry Tasmania for plantations and intensive forest management. The grant includes funding for administration and research expenditure which is included as part of Forestry Tasmania's normal operational expenditure and is offset against the Helsham receivable in note 9 of the accounts.

## **(m) Dividend policy**

Forestry Tasmania pays dividends in accordance with its statutory requirements as determined under Part II, Division 2 of the GBE Act (1995).

## **(n) Leased assets**

Leases under which Forestry Tasmania assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where Forestry Tasmania will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by payments of principal. The interest component of the lease payments is charged to the Statement of Financial Performance.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

## **(o) Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

*Trade debtors*

Trade debtors are to be settled within 30 days and are carried at amounts due.

## **(p) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the organisation. Trade accounts payable are normally settled within 30 days.

# Notes to the Financial Report for the year ended 30 June 2005

Funds received in advance under the Tasmanian Community Forestry Agreement (TCFA) are accounted for as unearned revenue and will be expended in the ensuing financial year. The TCFA is an agreement signed by the State and Commonwealth to supplement the provisions of the RFA. The majority of funds to be received by Forestry Tasmania will be for the establishment of an additional 16,000 hectares of hardwood plantations to compensate for the volume losses caused by an increase in conservation reserves.

## **(q) Interest bearing liabilities**

Loans are carried on the Statement of Financial Position at their principal amount. Interest expense is accrued at the contract rate.

## **(r) Foreign currency**

### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which they occur.

## **(s) Derivatives**

Forestry Tasmania is exposed to changes in foreign exchange rates, commodity prices and interest rates from its export activities and utilises the option to hedge these risks if considered appropriate.

### *Hedges - anticipated transactions*

Where hedge transactions are designated as a hedge of the anticipated specific sale of goods, gains and losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Statement of Financial Performance.

The net amounts receivable or payable under forward exchange contracts and the associated deferred gains or losses are recorded on the Statement of Financial Position from the date of inception of the hedge transaction. The net receivables or payables are revalued using the foreign currency current at reporting date. When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Statement of Financial Performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the transaction when it occurs.

## **(t) Other financial assets**

The Superannuation Investment Account is held with the Tasmanian Public Finance Corporation (Tascorp). The funds are invested in an investment portfolio comprised of cash and equities. This investment is revalued each year to the market value as advised by Tascorp. Unrealised capital gains are taken to the Superannuation Revaluation Reserve.

## **1.2 Changes in accounting policies**

### **Standing Timber Valuation**

The Corporation has changed its policy for accounting for the native forests asset class. In the past, this asset was accounted for under AASB 1037 Self Generating and Regenerating Assets, together with the plantation forest asset, on the basis that this asset was biological in nature. However, in reviewing this the Board determined that the native forest asset is more in the nature of Property, Plant and Equipment. This was determined due to:

# Notes to the Financial Report for the year ended 30 June 2005

- a) the biological growth of native forest occurs up to and sometimes greater than an 80 year rotation and therefore the biological growth measurement as required under the standard is difficult to measure
- b) the main drivers of the change in value are related to changes in the discount rate, changes in stumpage prices and costs associated with forest management, a change in the area of the forest and volumes to be harvested due to increased forest land being placed in conservation reserves, environmental impacts and losses through wildfire

The associated Forest Estate Revaluation Reserve, which was built up over successive revaluations of the forest estate, is dominated by revaluations of the native forest and, to this extent, should now be regarded as a revaluation of Property Plant and Equipment and therefore as a revaluation of a class of Property, Plant and Equipment. Although the reserve incorporates some minor adjustments associated with the plantation assets, they are immaterial in nature and do not need to be reflected separately as a plantation asset reserve.

In completing the valuation of the forest for the year ended 30 June 2005, Forestry Tasmania has revised the native forest discount rate and some data inputs that are included in the asset valuation process. The movement in the value and the changes in accounting policy have had no impact on cashflow or the operating profit before tax of Forestry Tasmania for the 2004/2005 financial year. The net movement in the net market value of the native forest asset is a decrement of \$74.526 million of which \$52.7 million can be attributed to a change in the discount rate from 6.64% to 8.94%. The discount rate has altered due to an increase in the weighted average cost of capital due to greater risk associated with native forest and old growth forest movements. The remaining change in value is principally attributed to increased costs associated with the payment of local government rates on State forest land and a reduction in woodflows due to additional forest being taken to conservation reserves.

This change does not impact on hardwood or softwood plantations which remain appropriately accounted for under AASB 1037. The financial impact of the change in accounting policy to reclassify the native forest asset as an asset class under Property, Plant and Equipment is set out below.

	<b>Restated 2005 \$'000</b>	Restated 2004 \$'000
<b>Pro forma statement of financial performance</b>		
Profit from ordinary activities before net market value adjustments	<b>13,506</b>	16,500
Forest net market value increment/(decrement)	<b>(12,645)</b>	(14,293)
Profit/(loss) from ordinary activities before income tax	<b>861</b>	2,207
<b>Restatement of retained profits</b>		
Balance at the beginning of the year	<b>24,398</b>	32,948
Profit/(loss) after taxation expense	<b>1,556</b>	(4,706)
Dividends recognised during the year	<b>(5,232)</b>	(3,844)
Restated retained profits at end of year	<b>20,722</b>	24,398
<b>Restatement of forest estate valuation reserve</b>		
Balance at start of year	<b>388,374</b>	364,457
Native forest increment/(decrement)	<b>(74,527)</b>	23,596
Forest land increment/(decrement)	<b>42,603</b>	321
Balance at end of year	<b>356,450</b>	388,374



## Notes to the Financial Report for the year ended 30 June 2005

### 2 REVENUE FROM ORDINARY ACTIVITIES

	2005 \$'000	2004 \$'000
Forest sales revenue	137,589	137,139
Share of GMO joint venture revenue	22,350	24,588
Interest	750	583
Proceeds from the sale of property, plant and equipment	1,646	2,369
Forest management services income	14,251	13,508
Other income	9,118	13,213
Total revenues from ordinary activities	185,704	191,400

In accordance with AASB 1037 *Self Generating and Regenerating Assets* trees harvested are revalued to market value immediately prior to disposal. Additionally AASB 1037 states that the harvested trees must be accounted for in accordance with AASB 1019 *Inventories*, and for the purposes of that standard, the cost of the harvested trees is deemed to be equal to its market value immediately after it is harvested.

### 3 EXPENSES FROM ORDINARY ACTIVITIES

Depreciation		
Plant and equipment	2,349	2,165
Roads and road structures	6,059	5,432
Buildings and leasehold improvements	657	495
Prospectus amortisation	-	25
Contractors expenses	73,438	74,851
Employee benefits and expenses	31,874	30,612
Share of GMO joint venture expenses	20,705	21,495
Interest expense - unfunded superannuation liability	4,227	7,571
Freight	8,284	8,839
Office Expenses	2,710	2,552
Consultancies and professional services	1,433	1,368
Rental	2,067	1,865
Minor Equipment Purchases & Consumables	1,577	1,357
Local government rates	1,902	365
Property Management	1,124	1,363
Information Technologies Expense	719	631
Fuel	1,532	1,340
Operating lease rentals	418	579
Travel and accommodation	765	979
Written down value on disposal of assets	1,749	2,130
Borrowing costs	1,594	1,180
Other	7,023	7,704
Total expenses from ordinary activities	172,206	174,898

# Notes to the Financial Report for the year ended 30 June 2005

## 4 MOVEMENT IN NET MARKET VALUE OF STANDING TIMBER

The impact that the increment/(decrement) in the net market value of the standing timber has on the results of the organisation can be reconciled as follows:

	2005 \$'000	2004 \$'000
Gross increase/(decrease) in the net market value of native forest standing timber – Forestry Tasmania	0	23,596
Gross increase/(decrease) in the net market value of plantation standing timber – Forestry Tasmania	3,897	2,949
Gross increase/(decrease) in the net market value of plantations standing timber – GMO Softwood Joint Venture	(5,250)	(8,650)
Less current year plantation establishment costs and future crop expenditure (primarily contractor expenses) incurred during the financial year	(11,292)	(8,592)
Net impact on operating profit before income tax	(12,645)	9,303

## 5 TAXATION

### a) Income tax equivalent expense

The prima facie income tax equivalent expense on pre-tax profit from ordinary activities reconciles to the income tax equivalent in the accounts as follows:

Income tax equivalent expense at 30% (2004:30%) of profit from ordinary activities	258	7,741
Add/(deduct) tax effect of permanent differences		
Deduction for timber felled	(25)	(122)
Superannuation investment account	-	-
Capital (gains)/losses	-	(137)
Non-deductible expenditure	15	167
Research and development	(562)	(164)
Non assessable income	1	-
	(313)	7,485
Over provision of previous financial year	(382)	(572)
	(695)	6,913

### b) Current tax liabilities

*Provision for current income tax*

Balance at beginning of the year	2,024	1,399
Current year's income tax expense on profit from ordinary activities	-	3,888
Tax paid	(3,778)	(2,942)
Over provision in prior years	(1,768)	(321)
	(3,522)	2,024

# Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>c) Deferred tax liabilities</b>		
<i>Provision for deferred income tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2004:30%) on the following items:		
Difference in depreciation for accounting and income tax purposes	7,239	7,560
Inventory costs deductible for tax but deferred for accounting purposes	1,553	1,420
Plantation establishment and stand improvement costs deductible for tax but deferred for accounting purposes	18,965	13,814
Forest revaluation increment	(4,415)	(621)
Sundry	371	279
Capitalised internal labour	1,771	-
	<b>25,484</b>	<b>22,452</b>
<b>d) Deferred tax assets</b>		
<i>Future income tax benefit</i>		
Provision for future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2004:30%) on the following items:		
Provisions and accrued employee entitlements not currently deductible	2,330	3,503
Superannuation adjustment due to entry to NTER	19,753	18,766
Land improvements	639	-
Forest infrastructure	904	-
Sundry	426	-
Tax losses carried forward	177	-
	<b>24,229</b>	<b>22,269</b>

The potential future income tax benefit will only be obtained if:

- 1) the organisation derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised
- 2) the organisation continues to comply with the conditions for deductibility imposed by law; and
- 3) no changes in tax legislation adversely affect the organisation

## 6 DIVIDENDS

Forestry Tasmania has proposed a dividend for the 2004/2005 financial year of \$4.847 million. The proposed dividend is subject to approval by the Treasurer and the Minister under Section 83(1) of the Government Business Enterprises Act 1995 and as such has not been recognised as a provision. The dividend is calculated on a formula agreed to by Forestry Tasmania, the Treasurer and the Minister.

A dividend of \$5.231 million, relating to the 2003/2004 financial year, was paid during the 2004/2005 financial year.

# Notes to the Financial Report for the year ended 30 June 2005

## 7 STATEMENT OF CASH FLOWS

### a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	2005 \$'000	2004 \$'000
Cash	16,972	8,473
Share of Joint Venture Cash	1,704	2,034
Floats and advances	15	13
	<b>18,691</b>	<b>10,520</b>

### b) Reconciliation of net cash provided by operating activities to profit/(loss) from ordinary activities after income tax equivalent expense:

Operating profit/(loss) from ordinary activities after tax and plantation forest valuation	1,556	18,890
Add/(less) items classified as investing/financing activities:		
Profit/(loss) on disposal of non current assets	(103)	(239)
Interest on superannuation investment	(265)	(134)
Add/(less) non-cash items:		
Share joint ventures profit/(loss)	555	(893)
Share of Joint Venture Entities net profit/(loss)	8	(2)
Unrealised net forest (increment)/decrement	1,353	(17,895)
Depreciation and amortisation	9,065	8,117
Doubtful debts expense	50	(42)
Stock adjustments	(50)	266
Net cash provided by operating activities before changes in assets and liabilities	12,170	8,068
Changes in assets and liabilities:		
Increase/(decrease) in deferred taxes payable	3,032	4,089
(Increase)/decrease in future income tax benefit	(1,960)	(741)
Increase/(decrease) in provision for income tax	(5,546)	(1,385)
(Increase)/decrease/ in current receivables	3,234	(4,774)
(Increase)/decrease in non-current receivables	670	(816)
(Increase)/decrease in inventories	(548)	(71)
(Increase)/decrease in other current assets	14	2,077
(Increase)/decrease in other non current assets	-	27
Increase/(decrease) in creditors	6,048	5,744
Increase/(decrease) in current provisions	1,003	(617)
Increase/(decrease) in non current provisions	3,149	6,640
Net cash provided by operating activities	<b>21,265</b>	<b>18,241</b>

## Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>8 CASH ASSETS</b>		
Cash at bank and on hand	17,627	9,247
Bank short term deposits	1,064	1,273
	<b>18,691</b>	10,520
<b>9 RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	18,378	16,915
Less provision for doubtful debts	(254)	(210)
Share of GMO JV receivables	2,413	2,460
Accrued revenue	3,019	7,271
GST refund	-	342
Income tax receivables	3,522	-
Helsham funding commitment	1,788	1,847
Total current receivables	<b>28,866</b>	28,625
<b>Non current</b>		
Other	202	872
Total non current receivables	<b>202</b>	872
<b>10 INVENTORIES</b>		
Gravel stocks at cost	1,771	1,574
Seed and seedlings at cost	2,864	2,929
Timber at cost	1,191	952
Share of GMO JV Timber at cost	456	288
Stores general at cost	715	538
	<b>6,997</b>	6,281
<b>11 FOREST ESTATE</b>		
<b>Current</b>		
Standing timber at market value – native forest	26,336	22,949
Standing timber at market value – plantations	-	-
	<b>26,336</b>	22,949
<b>Non current</b>		
Standing timber at market value – native forest	197,871	275,695
Standing timber at market value – plantations	78,602	76,089
Land at valuation	276,075	233,244
Roads and road structures at cost	199,520	184,706
Less provision for depreciation	(105,510)	(99,452)
GMO joint venture timber resource at market value	53,400	58,650
Other joint venture plantation assets at market value	10,215	8,831
	<b>710,173</b>	737,763



# Notes to the Financial Report for the year ended 30 June 2005

## Reconciliation - Forest Estate

	Native Forest	Plantations	Forest Land	Roads and Structures	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of year	298,644	143,570	233,244	85,254	<b>760,712</b>
Addition	90	11,292	318	16,178	<b>27,878</b>
Disposal/reallocation	-	-	(90)	-	<b>(90)</b>
Net movement in work in progress	-	(11,292)	-	(1,362)	<b>(12,654)</b>
Revaluation/(devaluation)	(74,527)	(1,354)	42,603	-	<b>(33,278)</b>
Depreciation	-	-	-	(6,059)	<b>(6,059)</b>
Carrying amount at end of year	<b>224,207</b>	<b>142,216</b>	<b>276,075</b>	<b>94,011</b>	<b>736,509</b>

## Forest estate holdings (current and non current)

The net market value of the forest stands represents commercial holdings in the following classes. Information is in thousand hectares.

	2005 Hectares	2004 Hectares
Native forest on State Forest	<b>544</b>	593
Plantations on State Forest	<b>26</b>	24
Plantations on private land	<b>2</b>	2
Joint venture plantation on State Forest	<b>7</b>	7
Joint venture softwood plantation on State Forest	<b>49</b>	50
Tassie Trees Trust plantation on State Forest	<b>2</b>	2

**2005  
\$'000**      2004  
\$'000

## 12 OTHER CURRENT ASSETS

Prepayments	<b>560</b>	574
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## 13 PROPERTY, PLANT AND EQUIPMENT

Land at independent valuation 1 July 2004	<b>1,613</b>	790
Buildings at independent valuation 1 July 2004	<b>15,544</b>	9,210
Less accumulated depreciation	<b>(616)</b>	(792)
	<b>14,928</b>	8,418
Leasehold improvements at independent valuation 1 July 2004	<b>386</b>	635
Less accumulated depreciation	<b>(129)</b>	(126)
	<b>257</b>	509

## Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
Plant and equipment at cost	20,908	18,742
Less accumulated depreciation	(8,665)	(7,748)
	12,243	10,994
Capital work in progress at cost	1,713	6,857
Total property, plant and equipment	30,754	28,138

### Valuation of land and buildings

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The valuation in 2004/2005 was determined by an independent valuer on the basis of open market values for existing use.

	Land	Buildings freehold	Leasehold improvements	Plant & equipment	Capital work in progress	Total
Carrying amount at beginning of year	790	8,989	508	10,994	6,857	28,138
Addition	-	1,079	-	3,693	900	5,672
Disposal	(55)	(534)	-	(1,251)	-	(1,840)
Reallocation (refer note 15)		(570)				(570)
Revaluation	878	1,605	(122)			2,361
Movement in work in progress	-	4,887	-	1,157	(6,044)	-
Depreciation	-	(528)	(129)	(2,349)	-	(3,006)
Carrying amount at the end of year	1,613	14,928	257	12,244	1,713	30,755

### 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint venture entities (see note 28)

	52	44
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### 15 OTHER FINANCIAL ASSETS

Superannuation investment account

Investment in infrastructure assets

	15,953	16,270
	570	570
	16,523	16,840

### 16 OTHER NON CURRENT ASSETS

Prospectus costs

less Prospectus amortisation

	-	485
	-	(485)
	-	-

### 17 PAYABLES

Trade creditors

Share of GMO JV payables

Funds held in trust

Revenue received in advance

GST Payable

Accrued expenses

	11,456	10,543
	2,620	1,930
	-	845
	15,073	4,243
	9	-
	4,892	9,748
	34,050	27,309

# Notes to the Financial Report for the year ended 30 June 2005

## 18 INTEREST BEARING LIABILITIES

### Non Current

	2005 \$'000	2004 \$'000
Borrowings	32,000	25,000
	<b>32,000</b>	25,000

### Financing Arrangements

Forestry Tasmania has access to the following lines of credit:

Total facilities available:

Credit cards	800	800
Foreign currency dealing limit	520	520
Loan facility - secured	35,000	25,000
	<b>36,320</b>	26,320

Facilities used at balance date:

Credit cards	75	95
Foreign currency dealing limit	6	81
Loan facility - secured	32,000	25,000
	<b>32,081</b>	25,176

Facilities not utilised at balance date:

Credit cards	725	705
Foreign currency dealing limit	514	439
Loan facility - secured	3,000	-
	<b>4,239</b>	1,144

### Credit Cards

The full amount payable on credit cards is included in current liabilities as this is payable within 14 days before interest is charged. After this date the payable bears interest at 16.45% (2004:16.45%), payable monthly.

### Foreign Currency Dealing Limit

Forestry Tasmania has foreign currency facilities totalling \$520,000 covering foreign currency dealings and payments in overseas currencies.

### Loan Facility - Secured

Forestry Tasmania has long term fixed borrowings of \$32.0 million. The fixed component bears interest on a fixed rate with the interest charged on a six monthly basis. The loans are secured by a floating charge over Forestry Tasmania's debtors.

# Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>19 PROVISIONS</b>		
<b>Current</b>		
Annual leave	2,200	2,200
Long service leave	5,141	5,057
Superannuation (see note 25)	8,760	7,978
Workers compensation	484	357
	<b>16,585</b>	<b>15,582</b>
<b>Non current</b>		
Long service leave	427	437
Superannuation (see note 25)	57,085	54,170
Workers compensation	938	694
	<b>58,450</b>	<b>55,301</b>
<b>20 CONTRIBUTED EQUITY</b>		
Value of State Loans to the former Forestry Commission taken over by the Tasmanian Government in 1990.	232,057	232,057
Funds provided for construction and development of income generating assets	1,000	-
	<b>233,057</b>	<b>232,057</b>
<b>21 RESERVES</b>		
Forest estate revaluation reserve	332,854	364,778
Joint venture forest estate revaluation reserve	21,572	21,572
Property revaluation reserves	2,999	638
General reserve	43,045	43,045
Superannuation reserve	11,980	11,980
Superannuation investment revaluation reserve	6,990	4,573
	<b>419,440</b>	<b>446,586</b>
<b>Movements in reserves:</b>		
<i>(a) Forest estate revaluation reserve</i>		
Balance at start of year	364,778	364,457
Native forest increment/(decrement)	(74,527)	-
Forest land revaluation increment	42,603	321
Balance at end of year	<b>332,854</b>	<b>364,778</b>

# Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<i>(b) Property revaluation reserve</i>		
Balance at start of year	638	638
Buildings and land under buildings revaluation increment	2,361	-
Balance at end of year	2,999	638

## *(c) Superannuation investment revaluation reserve*

Balance at start of year	4,573	2,461
Revaluations	2,417	2,112
Balance at end of year	6,990	4,573

The Superannuation investment revaluation reserve increases due to the market value adjustments on equity instruments contained in the investment portfolio with Tascorp.

## 22 RETAINED PROFITS

Balance at the beginning of the year	47,994	32,948
Profit/(loss) after taxation expense	1,556	18,890
Dividends paid during the year	(5,232)	(3,844)
Balance at the end of the year	44,318	47,994

## 23 TOTAL EQUITY RECONCILIATION

Balance at the beginning of the year	726,637	709,158
Total changes in equity recognised in the statement of financial performance	(25,590)	21,323
Equity from shareholder	1,000	-
Dividends paid	(5,232)	(3,844)
	696,815	726,637

## 24 EXPENDITURE COMMITMENTS

### *Operating expenditure commitments*

#### Operating leases

Not longer than one year	3,178	3,252
Longer than one year but not longer than five years	8,373	10,321
Later than five years	5,018	6,614
	16,569	20,187

Forestry Tasmania leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide Forestry Tasmania with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.



# Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<i>Capital expenditure commitments</i>		
Plantation establishment		
Not longer than one year	1,402	-
Road Construction		
Not longer than one year	495	-
Construction contracts		
Not longer than one year	64	400

## 25 SUPERANNUATION COMMITMENTS

Each year, the State Actuary conducts a valuation of the past service and accrued liabilities with the Retirement Benefits Fund defined benefit scheme at the reporting date. Any shortfall between the value of these benefits and the market value of the Retirement Benefits Fund assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the Statement of Financial Position.

The funding status of the Corporation's share of the defined benefit schemes at the reporting date, based on actuarial valuations, is summarised as follows:

<b>Retirement Benefits Act 1993</b>		
Vested benefits	103,906	98,164
Accrued benefits	94,846	89,366
Less net market value of plan assets	(29,001)	(27,218)
Deficit	65,845	62,148
Accrued Benefits are classified as:		
Current	8,760	7,978
Non current	57,085	54,170

## 26 EMPLOYEE BENEFITS

Aggregate liability for employee benefits, including on costs

### Current

Other creditors and accruals	469	383
Employee benefits provision	16,585	15,582

### Non current

Employee benefits provision	58,450	55,301
	75,503	71,266
Assumed rate of increase in wages and salaries rates	3.5%	3.5%
Discount rate	5.15%	5.87%
Settlement terms (years)	10-15 years	10-15 years

## 27 CONTINGENT LIABILITIES

As a self insurer Forestry Tasmania is exposed to the possibility of both workers' compensation and common law claims. To reflect this in the accounts an estimate of the likely cost is made and brought to account in the provision (see note 19).

Indemnities have been provided to directors and senior management of Forestry Tasmania in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations still outstanding at 30 June 2005.

There has been no dividend declared for 2004/2005 and in accordance with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* no dividend is recognised until declared. The dividend recommended by Forestry Tasmania is contingent upon the approval of the Treasurer and Portfolio Minister as per section 84(1) of the Government Business Enterprises Act 1995. Refer to note 6 for current year proposed dividend.

# Notes to the Financial Report for the year ended 30 June 2005

**2005**  
**\$'000**

2004  
\$'000

## 28 INTEREST IN JOINT VENTURE OPERATIONS

Forestry Tasmania has joint venture plantation establishment operations with other organisations. Its value of the share of the forest asset is included in note 11.

Forestry Tasmania holds a 50% share in a softwood joint venture with GMO Renewable Resources. In addition to the forest asset, included in the assets and liabilities of the organisation are items which represent Forestry Tasmania's interest in the joint venture. This is the only joint venture operation from which Forestry Tasmania receives revenue from outputs.

<b>Current assets</b>		
Cash	<b>1,704</b>	2,034
Receivables	<b>2,413</b>	2,460
Inventories	<b>456</b>	288
<b>Total current assets</b>	<b>4,573</b>	4,782
<b>Non current assets</b>		
Forest estate – plantations	<b>63,615</b>	67,481
<b>Total non current assets</b>	<b>63,615</b>	67,481
<b>Total assets</b>	<b>68,188</b>	72,263
<b>Current liabilities</b>		
Payables	<b>2,620</b>	1,930
<b>Total current liabilities</b>	<b>2,620</b>	1,930
<b>Total liabilities</b>	<b>2,620</b>	1,930

## 29 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Forestry Tasmania holds a 50% share with John Holland Investment Pty Ltd in Newwood Holdings Pty Ltd. The principal activity of the joint venture is site infrastructure construction and management.

### (a) Interests in joint venture entities

*Investment carrying amount*

Newwood Holdings Pty Ltd	<b>53</b>	44
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### (b) Results of joint venture entities

Revenues from ordinary activities	<b>94</b>	134
Expenses from ordinary activities	<b>(84)</b>	(134)
Profit/(loss) from ordinary activities	<b>9</b>	-
Income tax expense relating to ordinary activities	<b>(1)</b>	(2)
Net profit/(loss) - accounted for using the equity method	<b>8</b>	(2)

## Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>(c) Statement of financial position</b>		
Current assets	150	218
Non current assets	2,050	3,070
Total assets	2,200	3,288
Current liabilities	(139)	(210)
Non current liabilities	(2,009)	(3,034)
Total liabilities	(2,148)	(3,244)
Net assets	52	44
<b>(d) Reconciliations</b>		
<i>Share of post-acquisition retained profits attributable to joint venture entities</i>		
Share of joint venture entities' retained losses at beginning of year	(6)	(4)
Share of joint venture entities' net profit/(losses)	8	(2)
Share of joint venture entities' retained losses at end of year	2	(6)
<i>Movement in carrying amount of joint ventures</i>		
Carrying amount at beginning of year	44	46
Investment in joint ventures acquired during the year	-	-
Share of joint venture entities' net losses	8	(2)
Carrying amount at end of year	52	44

### 30 RELATED PARTY TRANSACTIONS

During the year, the Board of Directors of Forestry Tasmania was comprised of the following individuals: Messrs. L.A. Wilson, E.C. Best, A. Kloeden, E.R. Rolley, H.J. Elliott and Ms D. Radford.

Remuneration in 2004/2005 for Directors of Forestry Tasmania amounted to \$512,437 (2004:\$508,278). Included in the remuneration are superannuation provisions for the Board of Directors amounting to \$41,356 (2004:\$41,090). Remuneration includes directors fees, salary, bonus payment, contribution to superannuation funds and Fringe Benefits Tax payable on benefits provided. The total remuneration for individual directors falls within the following bands:

	No.	No.
\$20,000 to \$29,999	1	1
\$30,000 to \$39,999	3	3
\$60,000 to \$69,999	1	1
\$310,000 to \$319,999	1	1

With the exception of the following, Forestry Tasmania has not made any loans to or entered into any other transactions with any member of the Board of Directors or their related parties:

Mr E.C. Best holds an interest in Tassie Trees Trust. This interest was acquired through the public offer document, and is held on the terms and conditions applicable to all investors.

Dr H. Elliott is a former employee of Forestry Tasmania. He was contracted during 2004/2005 on normal terms and conditions as an independent consultant to complete specific tasks associated with forest research activities. He was paid \$43,724 including GST (2004: \$47,331) for the provision of these services.

# Notes to the Financial Report for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>31 AUDITORS' REMUNERATIONS</b>		
Amounts payable to the Tasmanian Audit Office for auditing the financial accounts of Forestry Tasmania.	<b>48,630</b>	43,970
Amounts paid/payable to other service providers for internal and other regulatory audit services	<b>177,562</b>	262,961

## 32 EVENTS SUBSEQUENT TO BALANCE DATE

Although no formal advice has been received by Tasmanian woodchip exporters, the forecast downturn in export sales from Tasmania into the Japanese woodchip market will impact on Forestry Tasmania's future operating profits and cash flow. Until the formal advice has been received, it is not possible to estimate the impact the reduction will have on profit and cashflow.

## 33 SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Intersegment pricing is determined on an arm's length basis.

### Business segments

Forestry Tasmania is comprised of the following main business segments, based on the organisation's management reporting system:

Hardwood - the sale of hardwood logs for downstream processing and the provision of forest management services

Softwood - the sale of softwood logs for downstream processing

			2005 \$'000
<b>Business segments - primary reporting</b>	<b>Hardwood</b>	<b>Softwood</b>	<b>Total</b>
<b>Revenue</b>			
External segment revenue	160,337	22,350	182,687
Unallocated revenue			3,017
<b>Total revenue</b>			<b>185,704</b>
<b>Result</b>			
Segment result	20,668	1,645	22,313
Unallocated expenses			(8,807)
Profit from ordinary activities before tax			13,506
Income tax expense			695
Forest net market value increment/(decrement)			(12,645)
Profit from ordinary activities after tax			<b>1,556</b>
<b>Other Segment Information</b>	<b>Hardwood</b>	<b>Softwood</b>	<b>Total</b>
Depreciation and amortisation	(9,065)	-	(9,065)
Proceeds on sale of property	1,646	-	1,646
Harvesting and haulage costs	(49,693)	-	(49,693)
Forest revaluation net increment/(decrement)	(17,895)	5,250	(12,645)

# Notes to the Financial Report for the year ended 30 June 2005

			2005 \$'000
	Hardwood	Softwood	Total
<b>Assets</b>			
Segment assets	748,242	56,269	804,511
Unallocated assets			58,873
Total assets			863,384
Acquisition of non current assets			20,508
<b>Liabilities</b>			
Segment liabilities	109,987	2,620	112,607
Unallocated liabilities			53,962
Total liabilities			166,569
<b>Geographical segments - secondary reporting</b>	<b>Australia</b>	<b>Asia</b>	<b>Total</b>
Segment revenue by location of customers	158,855	23,832	182,687
Segment assets by location of assets	804,511	-	804,511
Acquisition of non current assets	20,508	-	20,508
			2004 \$'000
<b>Business segments - primary reporting</b>	<b>Hardwood</b>	<b>Softwood</b>	<b>Total</b>
<b>Revenue</b>			
External segment revenue	164,287	24,588	188,875
Unallocated revenue			2,525
<b>Total revenue</b>			191,400
<b>Result</b>			
Segment result	23,987	3,093	27,080
Unallocated expenses			(10,580)
Profit from ordinary activities before tax			16,500
Income tax expense			(6,913)
Forest net market value increment/(decrement)			9,303
Loss from ordinary activities after tax			18,890
<b>Other Segment Information</b>	<b>Hardwood</b>	<b>Softwood</b>	<b>Total</b>
Depreciation and amortisation	(8,117)	-	(8,117)
Proceeds on sale of property	2,369	-	2,369
Harvesting and haulage costs	(45,486)	-	(45,486)
Forest revaluation net increment/(decrement)	18,449	(9,146)	9,303



# Notes to the Financial Report for the year ended 30 June 2005

			2004 \$'000
	Hardwood	Softwood	Total
<b>Assets</b>			
Segment assets	763,848	61,398	825,246
Unallocated assets			49,059
Total assets			874,305
Acquisition of non current assets			12,990
<b>Liabilities</b>			
Segment liabilities	96,262	1,930	98,192
Unallocated liabilities			49,476
Total liabilities			147,668
<b>Geographical segments - secondary reporting</b>	<b>Australia</b>	<b>Asia</b>	<b>Total</b>
Segment revenue by location of customers	161,291	27,584	188,875
Segment assets by location of assets	825,246	-	825,246
Acquisition of non current assets	12,990	-	12,990

## 34 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

### (a) Interest rate risk

	Weighted average market rate	Fixed Rate	Floating Interest Rate	Non Interest Bearing	Total
<i>Financial assets</i>					
Cash (see note 8)	5.2%	-	18,676	15	18,691
Receivables (see note 9)	15.0%	-	18,124	10,944	29,068
Investments (see note 15)	20.2%	570	15,953	-	16,523
		570	52,753	10,959	64,283
<i>Financial liabilities</i>					
Loans (see note 18)	5.7%	32,000	-	-	32,000
Accounts payable (see note 17)	-	-	-	34,050	34,050
Lease liabilities (see note 24)	-	-	-	-	-
Employee entitlements (see note 26)	5.2%	9,189	-	-	9,189
		41,189	-	34,050	75,239

					2004 \$'000
	Weighted average market rate	Fixed Rate	Floating Interest Rate	Non Interest Bearing	Total
<i>Financial assets</i>					
Cash (see note 8)	4.8%	-	10,507	13	10,520
Receivables (see note 9)	15.0%	-	16,705	12,792	29,497
Investments (see note 15)	17.7%	-	16,270	-	16,270
		-	43,482	12,805	56,287

# Notes to the Financial Report for the year ended 30 June 2005

					2004 \$'000
	Weighted average market rate	Fixed Rate	Floating Interest Rate	Non Interest Bearing	Total
<i>Financial liabilities</i>					
Loans (see note 18)	5.6%	25,000	-	-	25,000
Accounts payable (see note 17)	-	-	-	27,309	27,309
Lease liabilities (see note 24)	0.0%	-	-	-	-
Employee entitlements (see note 26)	5.2%	8,735	-	-	8,735
		33,735	-	27,309	61,044

## (b) Foreign exchange risk

Forestry Tasmania's policy is to use a foreign currency risk management instrument in compliance with Forestry Tasmania's Foreign Exchange Policy.

## (c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the economic entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

Forestry Tasmania minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties within Tasmania. Export sales are also made to several customers in China and South Korea.

Forestry Tasmania is not materially exposed to any individual overseas country or individual customer. Credit risk on foreign exchange contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency Forestry Tasmania pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay Forestry Tasmania. Documentary Letters of Credit are initiated for all export sales contracts.

## (d) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities of Forestry Tasmania approximate net fair value.

## 33 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

From 1 July 2005 Forestry Tasmania will comply with Australian equivalents to International Financial Reporting Standards (AIFRS). This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements applicable for the reporting periods ended 30 June 2005.

### Transition management

Forestry Tasmania has established a formal implementation timetable to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

At the date of this financial report, Forestry Tasmania has assessed the accounting policy alternatives on transition to AIFRS and substantially complete the finalisation of the AIFRS accounting policies that will be adopted from 1 July 2005 and the determination of the likely impact on the results and financial position of the organisation.

Forestry Tasmania will be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

### Likely impact of transition to AIFRS

Financial statements for the first year of adoption of AIFRS, being the financial year ending 30 June 2006, will provide comparative figures for the 2005 financial year prepared in accordance with AIFRS. In order to present a comparative Statement of Financial Position as at 30 June 2005, the initial impact of AIFRS must be assessed and reflected at the beginning of that year, 1 July 2004. This is referred to as the transition date.

# Notes to the Financial Report for the year ended 30 June 2005

The following reconciliations outline the likely impacts on the current year result and financial position of the organisation had the financial statements been prepared using AIFRS, based on the directors' accounting policy decisions current at the date of this financial report. It should be noted that the AGAAP opening balances as at 1 July 2004 have been altered to reflect the changes in some non current asset values due to the completion of independent revaluations for land and buildings as at 1 July 2004.

Readers of the financial report should note that the further developments in AIFRS, if any, may result in changes to the accounting policy decisions, and consequently the likely impacts outlined in the following reconciliations. The reconciliations reconcile the AIFRS and AGAAP positions at each respective point in time.

The reconciliations outlined below exclude any changes to the Statement of Financial Performance. It is probable that there will be an impact to the SFP due to the accounting treatment of the movement in Forestry Tasmania's unfunded superannuation liability. As further research into what would be the most appropriate accounting treatment for Forestry Tasmania, as allowable under the reporting standard, has not yet been concluded, no changes to the SFP have been recognised.

However, the impact of the increase in the unfunded superannuation liability would lead to an increase in the interest cost related to the liability. It is estimated that the effect for the year ended 30 June 2005 would be to increase expenses by approximately \$1.118m.

		Opening Balance as at 1 July 2004			Closing Balance as at 30 June 2005		
	Note	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
<b>Current Assets</b>							
Cash		10,520	-	10,520	18,691	-	18,691
Receivables	(a)	28,626	(2,179)	26,447	28,866	(2,445)	26,421
Inventories		6,282	-	6,282	6,997	-	6,997
Forest estate		20,977	-	20,977	26,336	-	26,336
Other		574	-	574	560	-	560
<b>Total current assets</b>		<b>66,978</b>	<b>(2,179)</b>	<b>64,799</b>	<b>81,450</b>	<b>(2,445)</b>	<b>79,055</b>
<b>Non current assets</b>							
Forest estate		739,734	-	739,734	710,173	-	710,173
Property, plant and equipment		28,137	-	28,137	30,754	-	30,754
Receivables		872	-	872	202	-	202
Investments accounted under equity method		44	-	44	53	-	53
Other financial assets		16,270	-	16,270	16,523	-	16,523
Deferred tax assets	(b)	22,269	5,748	28,017	24,229	9,704	33,933
Other		-	-	-	-	-	-
<b>Total non current assets</b>		<b>807,326</b>	<b>5,748</b>	<b>813,074</b>	<b>781,934</b>	<b>9,704</b>	<b>791,638</b>
<b>Total assets</b>		<b>874,304</b>	<b>3,569</b>	<b>877,874</b>	<b>863,384</b>	<b>7,259</b>	<b>870,643</b>
<b>Current liabilities</b>							
Payables	(a)	27,309	(2,179)	25,130	34,050	(2,245)	31,605
Current tax liabilities		2,024	-	2,024	-	-	-
Provisions	(c)	15,582	2,051	17,633	16,585	5,930	22,515
<b>Total current liabilities</b>		<b>44,915</b>	<b>(128)</b>	<b>44,787</b>	<b>50,635</b>	<b>3,485</b>	<b>54,120</b>
<b>Non current liabilities</b>							
Interest bearing liabilities		25,000	-	25,000	32,000	-	32,000
Deferred tax liabilities	(d)	22,452	127,907	150,359	25,484	105,678	131,162
Provisions	(c)	55,301	13,925	69,226	58,450	39,206	97,656
<b>Total non current liabilities</b>		<b>102,753</b>	<b>141,832</b>	<b>244,584</b>	<b>115,934</b>	<b>144,885</b>	<b>260,819</b>
<b>Total liabilities</b>		<b>147,667</b>	<b>141,704</b>	<b>289,371</b>	<b>166,569</b>	<b>148,370</b>	<b>314,939</b>
<b>Net assets</b>		<b>726,637</b>	<b>(138,134)</b>	<b>588,502</b>	<b>696,815</b>	<b>(141,111)</b>	<b>555,704</b>
<b>Equity</b>							
Contributed equity		232,057	-	232,057	233,057	-	233,057
Reserves	(e)	446,585	(122,922)	323,664	419,440	(100,806)	318,634
Retained profits	(f)	47,995	(15,213)	32,782	44,318	(40,305)	4,013
<b>Total equity</b>		<b>726,637</b>	<b>(138,135)</b>	<b>588,502</b>	<b>696,815</b>	<b>(141,111)</b>	<b>555,704</b>

## Notes to the Financial Report for the year ended 30 June 2005

### (a) Receivables

Forestry Tasmania had a forward exchange contract open as at 1 July 2004 and at 30 June 2005. Under AIFRS the carrying amount of financial assets and financial liabilities can be offset and this is reflected in the receivables and payables for both the opening and closing balances.

### (b) Deferred tax assets

In calculating the tax base of the account balances an adjustment was made to the deferred tax asset. The principal change at the 1 July 2004 and for the year ended 30 June 2005 is related to tax effect treatment of the Provision for Superannuation.

### (c) Unfunded superannuation liability

AIFRS applies different rules to the determination of the liability for long term employee benefits. The State Actuary has applied these rules to recalculate the defined benefit liability as at 30 June 2004. This has resulted in an increase of \$15.975 million being the shortfall between the liability to members and the provision in the financial statements and will impact on the deferred tax assets and retained earnings.

At 30 June 2005 an actuarial recalculation of the liability in accordance with AIFRS has resulted in further increases in the liability. The estimated liability as at 30 June 2005 is \$95.006 million. The increase in the liability from the actual liability under GAAP as at 30 June 2005 is \$29.161 million.

### (d) Deferred tax liabilities

In calculating the tax base of the account balances an adjustment was made to the deferred tax liability. The principal change at the 1 July 2004 is related to the tax effect adjustments of Forestry Tasmania's asset valuation reserves. For the year ended 30 June 2005 the movement is principally related to the tax effect of the carrying value of the native forest asset valuation reserve.

### (e) Reserves

The movement in the reserves as at 1 July 2004 and at 30 June 2005 of a decrement of \$122.922 million and an increase of \$7.045 million respectively, is principally related to the tax effect adjustments of the asset valuation reserves as outlined under note (d) above.

### (f) Retained earnings

The movement in retained earnings for both the opening balances as at 1 July 2004 and the year ending 30 June 2005 relate to the increases in the unfunded superannuation liability. An assumption has been made that the movement is taken to retained earnings, however as further research into what would be the most appropriate accounting treatment for Forestry Tasmania has not yet been concluded, the revised opening and closing balances for retained profits could be understated.

## Certification of Financial Statements

Subject to the Treasurer's instructions issued pursuant to the Government Business Enterprises Act 1995, in the opinion of the directors of Forestry Tasmania the financial statements are drawn up so as to give a true and fair view of the results and cash flows for the period ended 30 June 2005 and the state of affairs at 30 June 2005 of the Enterprise. The accounts have been made out in accordance with the provisions of the Government Business Enterprises Act 1995.

Where values have been determined by Forestry Tasmania personnel for non-current assets, these values have been accepted as directors' valuations.

At the date of this statement, there are reasonable grounds to believe that the Enterprise will be able to pay its debts as and when they fall due.

The financial statements have been made out in accordance with Australian Accounting Standards and Urgent Issues Group Consensus Views.

Signed in accordance with the resolution of directors.



Lawrence A Wilson  
Chairman  
29 August 2005



Evan R Rolley  
Managing Director  
29 August 2005





## INDEPENDENT AUDIT REPORT

To the Members of the Parliament of Tasmania

### FORESTRY TASMANIA

Financial Report for the Year Ended 30 June 2005

#### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements published in both the annual report and on the website of Forestry Tasmania for the year ended 30 June 2005. The Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in Forestry Tasmania's annual report.

#### **Scope**

##### *The financial report and the Directors' responsibilities*

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the statement from Directors for the year ended 30 June 2005.

The Directors are responsible for the preparation and true and fair presentation of the financial report in accordance with Section 52 (1) of the *Government Business Enterprises Act 1995*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

I conducted an independent audit in order to express an opinion to the Members of the Parliament of Tasmania. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Government Business Enterprises*

Act 1995, the Treasurer's Instructions, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Forestry Tasmania's financial position, and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

#### **Independence**

In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

#### **Audit Opinion**

In my opinion the financial report of Forestry Tasmania:

- i. Presents fairly the financial position of Forestry Tasmania as at 30 June 2005, and the results of its operations and its cash flows for the year then ended; and
- ii. Is in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995* and applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

#### **TASMANIAN AUDIT OFFICE**



H M Blake  
**AUDITOR-GENERAL**

HOBART  
30 September 2005





# facts file



# producing the goods

<b>Native forest wood production</b>	<b>2004-2005</b>	<b>2003-2004</b>
Special species timber sawlog (m3)	17,307	21,866
Eucalypt veneer log (m3)	13,356	11,070
Eucalypt sawlog—Category 1 & 3 (m3)	345,829	346,018
Eucalypt sawlog—Category 2 & 8 (m3)	99,878	117,247
Eucalypt peeler log (t)	159,433	176,183
Pulpwood (t)	2,724,303	2,902,786
<b>Softwood plantation production<sup>1</sup></b>		
Sawlog (m3)	244,048	254,374
Export log (m3)	26,563	60,407
Roundwood (m3)	5,394	6,050
Pulpwood (t)	235,217	250,558
<b>Eucalypt plantation production</b>		
Pulpwood (t)	118,440	104,426

## Notes

1. The quantities reported for softwood plantation production reflect Forestry Tasmania's half share in Taswood Growers. This is the softwood joint venture company owned by Forestry Tasmania and GMO Renewable Resources Ltd.

# the forest estate

## State forest

### Changes during 2004–2005 (hectares):

State forest created by land purchase	67
Net increase of State forest resulting from gazetted changes to public land classifications	876
State forest status removed through land sale	-55
<b>Net increase in the area of State forest</b>	<b>888</b>
Total area of State forest at 30 June 2005 <sup>1</sup>	1,500,000

## Forest Reserves<sup>2</sup>

### Changes during 2004–2005 (hectares):

Net increase in area of Forest Reserves resulting from changes to public land classifications <sup>3</sup>	2,340
<b>Net increase in Forest Reserves</b>	<b>2,340</b>
Total area of Forest Reserves at 30 June 2005 <sup>1,3</sup>	175,000

## Multiple-use forest (MUF)

### Changes during 2004–2005 (hectares):

Net decrease in MUF resulting from changes in public land classifications	-40
<b>Net decrease in MUF</b>	<b>-40</b>
Total area of MUF at 30 June 2005 <sup>1</sup>	1,310,000

### Note:

1. Figures in the Total rows are not the sum of the columns but the rounded actual totals.
2. Proposed reserves announced as part of the Community Forest Agreement in May 2005 are not yet included pending their formal gazettal.
3. A total of 2,340 hectares were re-gazetted as Forest Reserve to correct administrative errors in their original dedication under the Regional Forest Agreement Act. The total area of Forest Reserves now correctly includes these areas.



# forest types by classification

Forest type	State forest (excl. forest reserves)	Forest Reserves <sup>6</sup>	Conservation Reserves (Nature Conservation Act 2002) <sup>6</sup>	Public Reserves (Crown Lands Act)	Other publicly managed land	Other private land	Total area
Tall native eucalypt forest:	485	42	176	5	12	152	873
Eucalypt forest with current or potential height of 34m or more							
Low native eucalypt forest:	336	67	401	11	49	652	1,517
Eucalypt forest with current or potential height of less than 34m							
Subtemperate (Myrtle) rainforest:	175	38	326	0	5	18	562
Subtemperate Myrtle rainforest with no significant Eucalypt or Acacia							
Other native forest:	54	9	46	1	4	33	148
Including Acacia spp, Melaleuca etc							
Softwood plantation	55	0	0	1	0	19	75
Hardwood plantation	45	0	0	0	0	109	154
Non-forest:	175	19	1,379	23	205	1,681	3,482
Including scrub, moorland, farmland, rock and lakes							
Total	1,325	175	2,328	42	275	2,664	6,811

## Notes

1. Areas reported in this table include land, inland water bodies and islands. Sea and marine estuaries are excluded.
2. The areas for forest are derived from detailed forest type mapping, which is continually updated. Generally, State forest mapping is updated annually, but remapping of other tenures is less frequent.
3. 'Other publicly managed land' includes land owned by, or vested in, the HEC and Commonwealth; municipal reserves; and private and municipal lands managed by the Wellington Park Management Trust.
4. Private property forest areas are as advised by Private Forests Tasmania, and generally reflect forest mapping as at December 2004.
5. All areas in thousands of hectares as at 30 June 2005.
6. Proposed reserves announced as part of the Community Forest Agreement in May 2005 are not yet included pending their formal gazettal.

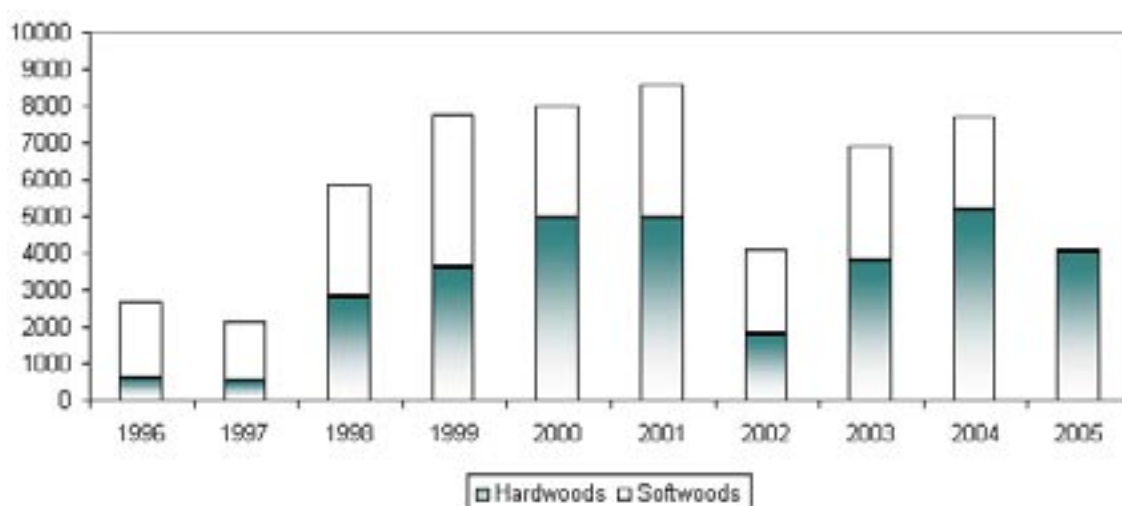
# plantation establishment

Ownership	New area planted 2004–2005 <sup>1</sup> (ha)		Area replanted 2004–2005 <sup>1</sup> (ha)		Net area of plantation <sup>5</sup> at 30.6.2005 (ha)	
	SW	HW	SW	HW	SW	HW
Forestry Tasmania (FT) plantation on State forest & Crown land	148	1,531	20	208	3,468	23,981
FT joint venture plantation on State forest & Crown land <sup>2</sup>	260	259	2,010	108	49,082	7,136
FT joint venture plantation on private land	0	0	103	0	700	239
Tassie Trees Trust plantation on State forest <sup>4</sup>	0	0	0	0	305	1,516
FT plantation on private land	0	0	0	0	0	828
Private plantation on State forest	0	2,913	0	56	9	10,876
<b>Total 2004–2005<sup>6</sup></b>	<b>408</b>	<b>4,703</b>	<b>2,133</b>	<b>372</b>	<b>53,565</b>	<b>44,576</b>
(Total 2003–2004)	580	5,399	2,332	718	54,497	38,990

## Notes:

1. Planting period for mapping and reporting purposes is from 1 July 2004 to 30 June 2005.
2. Includes the softwood plantations which are 50% owned by GMO Renewable Resources, for which data is supplied by Rayonier Australia as at 30 June 2005.
3. The majority of mixed hardwood/softwood plantations are reported as hardwood.
4. Tassie Trees Trust plantations are mainly jointly-owned with private growers, but include small proportions owned solely by Forestry Tasmania.
5. Totals exclude plantation areas clearfelled but not yet replanted.
6. Figures in the Total row are not the sum of the columns but the rounded actual totals.

## Area of plantation by age class 1996–2005



## Notes:

1. Age classes are based on calendar year planting seasons, not financial years.
2. Totals reflect plantation as at 30 June 2005, and includes commercial acquisitions.
3. Plantation established prior to 1996 is not shown.
4. Planting of 2005 age class still in progress at 30 June 2005.

# fire management statistics

## Wildfire Land Tenure/Vegetation Burnt for Season 2004-2005

		Forestry Tasmania		DTPHA			Other			Total
		Forest Reserve	State forest	Total	Crown Lands Act Reserve	NP&W Act Reserve	Total	Other private property	Other publicly managed land	Total
Bracken	Severely Scorched	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.12
	Total burnt	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.00	0.12
Buttongrass	Severely Scorched	115.82	6.29	122.11	0.00	1,654.53	1,654.53	0.00	0.00	0.00
	Total burnt	115.82	6.29	122.11	0.00	1,654.53	1,654.53	0.00	0.00	0.00
Dry sclerophyll forest	Scorched	798.45	421.24	1,219.69	0.00	2,219.45	2,219.45	50.12	5.14	55.26
	Total	1,389.74	716.19	2,105.93	1.07	3,638.26	3,639.33	88.98	12.37	101.35
Dry scrub & heath	Severely Scorched	41.66	0.00	41.66	0.00	6.83	6.83	10.88	0.00	10.88
	Total burnt	41.66	0.00	41.66	0.00	6.83	6.83	10.88	0.00	10.88
Logging slash	Severely Scorched	0.00	250.78	250.78	0.00	0.00	0.00	11.53	0.00	11.53
	Total burnt	0.00	250.78	250.78	0.00	0.00	0.00	11.53	0.00	11.53
Mixed forest	Severely Scorched	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total burnt	0.00	0.00	0.00	0.00	0.09	0.09	0.00	0.00	0.00
Mountain eucalypt forest	Severely Scorched	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total burnt	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00
OTHER	Severely Scorched	0.11	0.00	0.11	0.19	61.54	61.73	0.10	497.46	497.56
	Total burnt	0.11	16.92	17.03	0.19	128.44	128.63	0.10	987.46	987.56
Paddocks & grass	Severely Scorched	0.00	0.54	0.54	0.00	1.80	1.80	4.64	0.06	4.70
	Total burnt	0.00	0.54	0.54	0.00	1.80	1.80	4.64	0.06	4.70
Plantation hardwood	Severely Scorched	0.00	3.72	3.72	0.00	0.00	0.00	0.00	0.00	0.00
	Total burnt	0.00	3.72	3.72	0.00	0.00	0.00	0.00	0.00	0.00
Plantation softwood	Severely Scorched	0.22	994.26	994.48	0.00	0.00	0.00	0.06	0.00	0.06
	Total burnt	0.22	994.56	994.78	0.00	0.00	0.00	0.06	0.00	0.06
Rainforest	Severely Scorched	0.00	0.00	0.00	0.00	3.15	3.15	0.00	0.00	0.00
	Total burnt	0.00	0.12	0.12	0.00	16.64	16.64	0.00	5.04	5.04
Regeneration	Severely Scorched	0.00		0.00	0.00	0.00	0.00	0.00		0.00
	Total burnt	0.00	3.13	3.13	0.00	0.00	0.00	0.00	2.85	2.85
Wet sclerophyll forest	Severely Scorched	63.00	331.03	394.03	3.74	606.83	610.57	17.89	26.65	44.54
	Total burnt	63.00	331.03	394.03	3.74	606.83	610.57	17.89	26.65	44.54
Wet scrub & heath	Severely Scorched	67.15	51.54	118.69	0.00	315.86	315.86	0.00	0.00	0.00
	Total burnt	76.77	60.89	137.66	1.65	364.78	366.43	1.80	0.00	1.80
Total	Severely Scorched	1,086.41	1,671.38	2,757.79	3.93	4,869.99	4,873.92	95.34	529.31	624.65
	Total burnt	1,687.32	2,384.17	4,071.49	6.65	6,418.21	6,424.86	136.00	1,034.43	1,170.43

## Number of fires by District and month

	August	September	October	November	December	January	February	March	April	May	Total
Bass	4	5	4	3	2	5	14	9	1	3	<b>50</b>
Derwent	0	0	3	1	2	4	0	2	4	0	<b>16</b>
Huon	0	0	1	2	1	4	0	0	1	0	<b>9</b>
Mersey	0	2	7	4	6	8	3	2	0	3	<b>35</b>
Murchison	0	0	1	4	4	9	1	2	0	0	<b>21</b>
Total	4	7	16	14	15	30	18	15	6	6	<b>131</b>

# grants and sponsorships

		\$'000
Research Funding:-	Forest Practices Board	35
	University of Tasmania	31
	University of Melbourne	12
	University of Western Australia	10
	Contribution to Fire Research Fund	10
	Tasmanian Forest Research Council	6
	University of Queensland	4
	Forest Research - Warra Development - Australian National University	3
	Dept Sustainability and Environment - National Pine Funding	2
Contributions to Forest Education:-	Forest Education Foundation	201
	Forest Oral History Project	23
	Tasmanian Wood Design Collection Trust - Arts, Events	19
	Gottstein Trust Fund-Scholarship	1
Tourism:-	Circular Head Tourism Association	20
	Dept Tourism, Parks, Heritage & Arts	12
	Tourism Council - Corporate Sponsorship	6
	Strahan Visitor Centre	3
Community Service Groups:-	Camp Quality	9
	St Vincent De Paul Society (Tas) Inc	5
	Lifeline Hobart	5
	Steps Employment and Training - Wooden Boat Centre	4
	Huon Eldercare Inc	3
	Rotary Club of Hobart	2
Regional Sporting Clubs:-	Tasmanian Axemans Assoc	9
	Coastal Motor Cross Club	8
	Tasmanian Fly Fishing Sponsorship	5
	Kermandie Football Club	4
	Sponsorship for attendance at NZ Woodchopping Carnival	4
	Tamar Canoe Club Inc	3
	Orienteering Tasmania - Sponsorship, Orienteering Championships	2
	Cygnets Tennis Club - Sponsorship, Clay Court Championship	2
	Miscellaneous sponsorship of \$1,000 to five regional sporting clubs	5

continued next page

from previous page

		\$'000
Arts, Events:-	2004 Southern Cross Young Achiever Award	14
	Rock Eisteddfod 2005	13
	Queen Victoria Museum & Art Gallery - Sponsorship Chinese Artefact Exhibition	10
	Tasmanian Forest Festival	5
	Derwent Valley Council - Derwent Valley Autumn Fest	3
	Subaru Safari Tasmania	3
Other Sponsorship:-	iTOT Sponsorship - Tourism	5
	Abacas Management - Future Forests and Timber	5
	Rosetta High School - "Real learning, real futures"	5
	Tamar Woodworkers Guild - Arts, Events	5
	Dept Premier & Cabinet - Govt Showcase	5
	Female Factory Historic Site Ltd - Arts, Events	4
	Engineers Australia Tasmania Division	3
	Dept Primary Industries - Queensland (IUFRO Conference)	3
	Hoo Hoo Club	3
	Tasmania Committee	2
	Thirteen Miscellaneous sponsorships of \$1,000	13
<b>Total for 2004-05</b>		<b>\$569</b>



The excavation (in early 2004) of a Chinese tin mine site in a remote area of State forest in Tasmania's North East uncovered more than shards of broken pottery. Its artefacts have revealed intimate details of the lives of the miners who worked there. The excavation was sponsored by Forestry Tasmania, as was the subsequent exhibition of the artefacts during the past year at the Queen Victoria Museum and Art Gallery, Launceston.



# glossary of terms

Biodiversity	The diversity of all life forms, including species diversity, genetic diversity and ecosystem diversity. Biodiversity can be assessed at a variety of levels; for example, coupe, catchment, landscape, national, global.
Boreal	Northern biotic area characterised especially by dominance of coniferous forest.
CAR	Comprehensive, adequate and representative reserve system.
Category 1 & 3 sawlog	First-grade eucalypt sawlog as specified in the Forestry Regulations 1993 Schedule 5 part 1 (1). Eucalypt sawlogs from mature and over-mature forest were previously termed 'category 1 sawlogs' and those from regrowth forests were previously termed 'category 3 sawlogs'.
Category 2 sawlog	Second-grade eucalypt sawlog.
Category 8 log	Eucalypt log with a quality below category two specifications . Subject to market demand this product may become sawlog, or pulpwood.
Category 4 sawlog	First-grade sawlog from special species timbers such as blackwood, myrtle, sassafras, celery top pine, Huon pine and leatherwood.
Clearfelling	The removal of all trees on a harvesting coupe in a single operation, and the subsequent regeneration of an even-aged stand by sowing or planting. A canopy opening of 4-6 times mature tree height may be considered the lower limit for clearfelling. In the tall wet eucalypt forests of Tasmania, the minimum clearfell size is about 5ha.
Coupe	For harvesting, the forest is subdivided into discrete areas called coupes. These coupes often contain patches of both mature (including oldgrowth) and regrowth forest. In practice, most clearfelled coupes in Tasmania range between 50 to 100 ha, although some are as small as 10 ha.
DPIWE	Dept of Primary Industries, Water & Environment.
EMS	Environmental management systems. The EMS sets targets for improving environmental performance, and establishes measures to gauge improvement.
Forest Practices Code	A Code established under the <i>Forest Practices Act</i> 1985 which prescribes the manner in which forest practices must be conducted in order to provide reasonable protection to the environment.
Forest Practices Plan	A plan for forest operations, specified in Section 18 of the <i>Forest Practices Act</i> 1985.
Forest Reserve	An area of State forest, formally gazetted for long-term intent, to be managed for recreational, scientific, aesthetic, environmental or protection purposes.
Forest	An area incorporating all living and non-living components, dominated by trees having usually a single stem and a mature (or potentially mature) stand height exceeding 5m, with existing or potential projective foliage cover of overstorey strata, about equal to or greater than 30%. This definition includes native forests and plantations regardless of age, and areas of trees sometimes described as woodlands.

Fuel reduction burn	A fire of low intensity carried out under closely controlled conditions to reduce the quantity of accumulated dead fuel from the forest floor, without damaging standing timber. Also called low intensity prescribed burn.
Hardwood	Timber from broad-leaved flowering tree (botanical group Angiospermae), irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species.
ISO 14001	The international standard for EMS. It formalises methods for reviewing, reporting, documenting, monitoring and training in forest management practices.
LRA	Log Residue Assessment. Refers to a systematic quantitative method of determining logging residues of “merchantable timber” on the forest floor.
LTIFR	Lost time injury frequency rate. Refers to the number of incidents incurred where the injured employee is off work for the whole of the following day.
LUPAA	Land Use Planning and Approvals Act 1993.
MDC	Forestry Tasmania’s Management Decision Classification System.
Merchantable timber	The part of a tree’s stem with monetary value as a saleable product; usually refers to veneer, sawlog and pulpwood.
Multiple-use forest	Forested land on the Register of Multiple Use Forest Land, principally by the Public Land (Administration & Forests) Act 1991 and also under the Forestry Act 1920. Managing these forests combines a number of uses—usually in a single stand or on the same general site, but not necessarily at the same time.
Native forest	Forest consisting of tree species that are native to Tasmania, other than plantations. Native forest include mature, regrowth forests and regeneration forests.
NEPM	National Environmental Protection Measure.
Oldgrowth	Forest that is ecologically mature forest where the effects of disturbances are now negligible.
Partial harvesting	Harvesting systems which include the retention of some trees e.g. advance growth, seed tree, shelterwood, group and single tree selection.
Peeler log	Logs that are selected from lower quality sawlogs as being suitable for rotary peeling to produce veneer. The veneer produced from rotary peeling is generally used for structural grade plywood, whereas veneer produced by slicing high quality logs is furniture grade (e.g. for table tops).
Plantation	Forest established by planting seedlings rather than sowing seed. Plantation areas usually have intensive site preparation prior to planting. They are managed intensively for future timber harvesting.
Production forest	Forest zoned for commercial harvesting, ie containing sufficient quantities of sawlog and pulpwood quality timber to justify the expense of harvesting, and not reserved for protection of other values.

Public Forest	Includes forest in World Heritage Areas, National Park, formal and informal reserves and state forest.
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products.
Rainforest	Forest dominated by tree species such as myrtle, sassafras, celery-top pine, leatherwood, and blackwood, in which eucalypts comprise less than 5% of the crown cover. Rainforest generally occurs in areas with high rainfall.
Reforestation	Where forest is re-grown on logged or cleared land. May involve silviculturally regenerating forest and/or establishing plantations.
RFA	Regional Forest Agreement. A long-term agreement between the Commonwealth and State governments, to ensure the sustainable management of Tasmania's forests.
Reserve/reservation	An area of land formally or informally set aside for specified conservation purposes. Formal reserves include State Reserves and Forest Reserves. Informal reserves include wildlife habitat strips and other areas where harvesting activities are specifically excluded by management zoning.
Roundwood	Logs below sawlog quality but suitable for manufacturing posts and poles.
Sawlog	A log for processing into sawn timber.
Silvicultural systems	All the manipulations (e.g. harvesting, thinning, regeneration) carried out during the lifetime of forest stands or trees to achieve the management objectives of the landowner.
Slash burn	Burning material left on the ground after harvesting operations, including tree heads, shrubs and other non-merchantable woody material. Usually done in the late summer or early autumn.
Snig track	A track along which logs are pulled from the felling point to a nearby landing.
Softwood	Timber of coniferous or cone-bearing trees (in the botanical group Gymnospermae), irrespective of physical hardness. Includes radiata pine.
State forest	Land managed by Forestry Tasmania under the Forestry Act 1920, including purchased land.
Sustainable yield	"The maximum level of commercial timber (or product mix) that can be maintained under a given management regime."
Veneer log	A log for producing veneer, either by slicing or peeling, for panel products.

# contacting us

## Hobart

### Head Office

79 Melville Street  
Hobart 7000  
GPO Box 207  
Hobart 7001  
ph: (03) 6233 8203  
fax: (03) 6233 8444

### Business Development

David Ridley  
ph: (03) 6233 8109

### Corporate Affairs

Steven Bavage  
ph: (03) 6233 8249

### Corporate Strategy

Helen Taylor  
ph: (03) 6233 8209

### Customer Service

Steve Luttrell  
ph: (03) 6233 8171

### Financial Services

Penny Egan  
ph: (03) 6233 8111

### Fire Management

Tony Blanks  
ph: (03) 6233 5980

### Human Resources

Lily Burgess  
ph: (03) 6233 5468

### Planning

John Hickey  
ph: (03) 6233 8173

### Plant Resources & Stores

Garry Kennedy  
ph: (03) 6233 8806

### Research & Development

Stephen Read  
ph: (03) 6233 8202

### Resources

Martin Stone  
ph: (03) 6233 8178

### Strategic Corporate Projects

Darrel Stringer  
ph: (03) 6233 8129

### Tasmanian Seed Centre

Neil McCormick  
ph: (03) 6233 8165

### Tourism & Community Services

Jane Foley  
ph: (03) 6233 8183

## North

### Assistant General

### Manager (Operations)

Paul Smith  
2-4 East Cam Road  
Camdale 7320  
PO Box 68  
Burnie 7320  
ph: (03) 6434 6244  
fax: (03) 6434 6232

### Bass District

Steve Manson  
96 King Street  
Scottsdale 7260  
ph: (03) 6352 6466  
fax: (03) 6352 6457

### Mersey District

Peter Bird  
Stoney Rise  
Rundle Road  
Devonport 7310  
ph: (03) 6424 8388  
fax: (03) 6424 2173

### Murchison District

Mike Farrow  
2-4 East Cam Road  
Camdale 7320  
ph: (03) 6434 6345  
fax: (03) 6434 6232

### Forest Nursery

Peter Moore  
ph: (03) 6391 6312  
fax: (03) 6391 6304

## South

### Manager (Field Services)

Graham Sargison  
79 Melville Street  
Hobart 7000  
GPO Box 207  
Hobart 7001  
ph: (03) 6233 7444  
fax: (03) 6233 7533

### Derwent District

Steve Whiteley  
79 Melville Street  
Hobart 7000  
ph: (03) 6233 7449  
fax: (03) 6233 7533

### Huon District

Steve Davis  
Main Road  
Geeveston 7116  
ph: (03) 6297 0012  
fax: (03) 6297 1783

### Island Specialty Timbers

Chris Emmett  
ph: (03) 6297 1479